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EDITORIAL

As We See It

The Korean affair has now gone far enough to confirm beyond any question, and to exemplify with disturbing clarity, the terrible blundering with which the management of our foreign affairs has been cursed for a long while past.

It was some time before Pearl Harbor that a keen-minded editorial writer answered the then persistent question: "Should we stop Hitler now?" with one of his own: "With what? Two feather dusters, one in hand and one on order?" What ought to have been the deadly warning of this epigram, evidently made little impression upon the powers that be. It was not until Pearl Harbor brought the universe down about our shoulders that the almost total lack of correspondence between our big talk and our picayune armament struck the average man squarely between the eyes. President Theodore Roosevelt once remarked that the way to comport oneself in this world of national and international bandits was to speak softly but carry a big stick. His illustrious cousin Franklin never did believe in such tactics, and Franklin's successor possibly does not remember (if he ever heard of) the admonition of the once worshipped "Teddy."

At any rate, the Korean situation may be regarded as but a consequence of long neglect of precisely this type of policy. Our attitude toward the remainder of the world since the end of the war has a strange history which reflects little glory or even credit upon any of us. Notwithstanding the disillusionment that came after World War I, and despite the brutal behavior of that great "friend" of democracy centered in the

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Korean Lessons

By MELCHIOR PALYI

Asserting there is no reason to expect an armed conflict with Russia in foreseeable future, Dr. Palyi holds it is plain ignorance to assume Russia might easily be provoked to war. Says chickens of Administration's China policy are coming home to roost, and sees in announcement of all-out aid to Southeast Asia, a new departure in U. S. foreign policy. Looks for momentous financial consequences from policy change, and contends genuine peace is not possible because of U. S.-Russia antagonism.

After years of total bungling in Asia, the Administration has been forced at last to adopt a realistic and at least partially honorable policy. But this country's almost universal if short-lived scare, that the Korean upheaval may mean war with Russia, is no tribute to our intelligence. The panic on security markets and the rush on commodity exchanges have mirrored a confusion in matters international not worthy of the world's leading nation. Or could it be that what they mirrored was lack of confidence in Washington's ability to match wits with Moscow?

Dr. Melchior Palyi

There is no reason to expect an armed conflict with the Soviets in the visible future. Actually, the Korean showdown is a far less serious matter than the Berlin blockade was two years ago. If the Russians gave up without a single shot their attempt to conquer Berlin, a thorn in the flesh of their Central European empire, would they risk everything for a minor item in global strategy, and would they start it some 5,000 miles from their main base? Also, they were directly involved in the struggle for Berlin; in Korea, they claim no part in the "spontaneous uprising of local patriots." Russia's prestige is not seriously affected by their defeat. The Soviets are accustomed to such reversals which they twist into moral victories. If they accomplish nothing but sheer nuisance, the cost in American lives and dollars and

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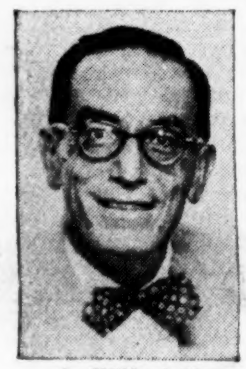
Analysis of Wartime Stock Market Behavior

By GEORGE F. SHASKAN JR., and A. WILFRED MAY

Study of past behavior of security prices at times of our actual entry into shooting-wars shows: (1) great difficulties confronting the investor during initial stages; (2) non-fulfillment of "War Baby" expectations, and (3) unpredictable divergence between industry groups.

(This is the first of a series of articles on the facts and significance of the stock market's behavior during past wartime periods)

The investment community, engulfed in a sea of worry and confusion about the unexpected Korean outbreak, is again grasping for its emotional life raft of *past performance*. Despite the manifest pitfalls in the way of using historical behavior as a guide for present policy, including the differing period-to-period backgrounds in industry and finance, it evidently will continue to be widely used.



A. Wilfred May

Geo. F. Shaskan, Jr

Hence the authors deem it constructive to offer a factual study of sectional and overall market behavior during World Wars I and II; this should at least furnish helpful disillusionment regarding some widely-held wartime investment fictions.

Our Entry Into Actual Military Conflict the Key Period

As our initial bases of comparison we are using the periods starting with the actual entry of the United States into military conflict, in April, 1917, and at Pearl

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GOING TO NSTA CONVENTION? On page 11 we give the rates and schedules for special trains to and from the Convention of the National Security Traders Association to be held from Sept. 26-30 at the Cavalier Hotel, Virginia Beach, Va.

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A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

This Week's Forum Participants and Their Selections

Warner and Swasey Company—Morton A. Cayne, Cayne & Co., Cleveland, Ohio. (Page 2)

American Cyanamid $3.50 Convertible Pfd., Series B—Robert J. Levy, Partner, Robert J. Levy & Co., New York City. (Page 2)

U. S. Treasury 2¼s of June 15, 1962/59—Donald L. Moffat, Assistant Vice-President, C. F. Childs & Co., Chicago, Ill. (Page 22)

MORTON A. CAYNE

Cayne & Co., Cleveland, Ohio

(Warner & Swasey Co.)

The common stock of the Warner & Swasey Co., appears to me to be most attractive at this time since the market is not as yet, completely reflecting circumstances which forecast a brighter current and future outlook.

Morton A. Cayne

Warner & Swasey is one of the nation's most important manufacturers of machine tools. During the war this industry experienced a tremendous boom and following the war, the markets became flooded with surplus machine tools. This, of course, resulted in a sharp decline in business and in the case of Warner & Swasey the situation became more troublesome because of a strike that closed the plants for the first six months of 1949. These circumstances resulted in deficit operations of approximately 77c per share for last year. In addition, the company had heavy development expense for new products on which they are now diversifying their output.

Since the first of this year, the machine tool industry has experienced a very sharp rise in business. Some of this has been replacement and a great part has been for new equipment for the automobile industry since mass production of automatic transmissions and higher compression engines requires new machines. Recently the National Machine Tool Builders Association reported their new order index at a new high.

While Warner & Swasey is best known for the production of lathes, etc., the company has begun to enjoy an income from products that tend to lead to important growth. The company has entered the textile machine business and it is here that the prospects appear brightest. Several models of pin drafting machines for carding yarns are being marketed and a rayon converter which was developed by Pacific Mills has been in good production for some time with first deliveries having been made in January of this year. Of major importance is the high-speed loom which is based upon the principle of the model made by Sulzer Bros., Ltd., of Switzerland. This machine has been operating successfully in the Warner & Swasey plant for sometime and very recently, three machines were released to the Cleveland Worsted Mills Co. However, it is yet too early to expect a performance report. The management has complete confidence in this product and the entire textile industry is anticipating the release of this machine to the trade.

Of no small importance, Warner & Swasey also produces an earthmoving grading machine under the name of Gradall. This road machinery has been well received and will soon be one of the company's outstanding income producers. Manufacturing production has been stepped up considerably and it is expected that further increases will soon be made in assembly of this equipment.

No dividend was paid in 1949 and only a token dividend of 25 cents was paid in 1948. Recently the company declared its first dividend of 1950 payable July 27 of 25 cents per share. First-half earnings were not released; however, it is reported that business is extremely satisfactory and that a continuance will definitely justify further dividend payments during this year of 1950.

As of Dec. 31, 1949, the company was in a strong financial position since the annual statement disclosed net current assets of $9.54 and a book value of approximately $14.80. Sole capitalization was 807,275 shares of common stock.

Currently selling around 12, one might ponder over the fact that in 1946 the stock of this company sold high at approximately 25⅞ when only a 50 cent dividend was paid. Today it is selling at less than 50% of the 1946 high with a future business cycle beginning for this company that seems to be the best in its long history. It would appear that here is a company that is fundamentally sound, having aggressive management, whose common stock might well reward the investor with a worthwhile capital gain, if willing to assume a reasonable risk.

ROBERT J. LEVY

Partner, Robert J. Levy & Co., Members New York Stock Exchange, New York City

(American Cyanamid $3.50 Convertible Preferred, Series B)

If I were to ignore the general price level and the important question of timing, my selection of "The Security I Like Best for the Future" would be easy. The choice would be E. I. du Pont de Nemours. If any one company can be called "greatest," du Pont is it. The industry is ideal for growth and the company is well rounded, progressive, with products of integrity and a highly respected management. However, we are in the seventh year of a period of unusual industrial activity, the twelfth month of a perpendicular rise in security prices (interrupted only by recent events in Korea), and du Pont has been in the forefront of high grade common stocks participating in the rise. There has been no post-war readjustment in the capital goods industries and we view the spectacle of capacity operations in the steel industry, automobile production at the annual rate of nearly 10,000,000 cars and trucks, unprecedented activity in the building industry, heavy construction of plant and facilities by all industry and rapidly expanding use of credit to finance purchases of automobiles, television sets, appliances of all kinds and homes and buildings. Perhaps it sounds paradoxical but to me these conditions indicate the probability of correction. I have, therefore, selected as "The Security I Like Best for the Future," a security that today combines enhancement possibilities with defensive qualities — American Cyanamid $3.50 preferred, Series B. It is a compromise, I admit, but I think the investor and speculator alike should compromise. Even the most aggressive speculator should keep a protective reserve of high grade bonds and every investor should maintain a portfolio balanced between equities and gilt-edged bonds. Since this series of articles does not call for the selection of all the securities that might be included in a balanced portfolio, I have chosen one stock that should offer substantial protection in the event of a reversal of market trend and opportunity for attractive profits if the rise continues or resumes after a short or long interruption.

Robert J. Levy

American Cyanamid is a progressive chemical company, producing well-accepted chemical products for agriculture and industry, biologicals and pharmaceuticals, dyestuffs and intermediates, fumigants and insecticides, mineral dressing chemicals and synthetic resins and plastics. Net sales have risen from approximately $76,500,000 in 1939 to over $237,000,000 in 1949, (and the first quarter of 1950 shows an increase of sales of 26.3% over the 1st quarter of 1949). A very large volume of business is being done in products that didn't exist in 1939, such as, for example, penicillin, aureomycin, synthetic hormones, resins and plastics. And this progress is due to an intelligent aggressive research and development program for which the company spent over $10,000,000 in 1949. Earnings were $5.28 per common share in 1949 ($6.15 if equity in undistributed income of all companies owned 50% or less is included) while the company reported earnings of $2.78 in the first quarter of 1950 against $1.51 last year, ($3.03 versus $1.51 if equity in undistributed income of companies owned 50% or less is included). Estimates for 1950 have run as high as $10 per share although it is too early to formulate a sound forecast and it is impossible to know how many shares of the company's preferred stocks will have been converted into common by the year-end. The common stock at about 60 is selling at a price-to-probable-1950-earnings-ratio that is low relative to such ratios for other chemical companies. The company is conservatively capitalized and is in excellent financial condition with working capital in excess of $73,000,000 at Dec. 31, 1949.

American Cyanamid $3.50 preferred, Series B is currently selling at 103, a yield of 3.4%. The stock is convertible into common at $72 per share (i.e., into about 1.4 shares of common stock). On an investment basis, without the conversion privilege, this preferred stock should be worth close to $100 per share so that there would appear to be a market risk of less than 7% in the event of a further decline in the price of the common stock. (When the common stock sold at 35¼ in 1949, the Series A preferred sold at 99.) A rise of 100% in the price of the common from 60 to 120 would cause the Series B stock to sell at about 168, a capital gain of about 63% on the cost price of 103. The present instability of markets emphasizes the importance to investors of selecting a good security with excellent long range possibilities and yet with such defensive advantages as this preferred stock should afford.

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United States Economy Will Expand Despite World Events: Keyserling

President's chief economic adviser predicts 25% rise in living standards within next decade. Says current hostilities in Korea need not bring on dangerous inflationary pressures, and contends business cycle is not inevitable.

In an address at the Seagram International Business Conference Dinner in Montreal, Canada, on July 3, Leon Keyserling, Chairman of President Truman's Council of Economic Advisers, expressed the view that the nation's economy will continue to expand under prosperous conditions despite the burdens imposed by the present international situation.

Leon H. Keyserling

"It has become more vital than ever before that the United States economy maintain its stability and constantly expand its productivity and strength," the President's economic adviser asserted. "This is necesary not only to support the heavy but inescapable obligations which are imposed upon us by our historic role in world affairs. It is equally necessary to demonstrate to the free world that freedom is compatible with economic stability and security, and to demonstrate to the enslaved portions of the world that a monstrous fiction is involved in the dogma that recurrent depressions are inseparable from our type of economy. We in the United States can no longer afford to tolerate with equanimity even those moderate departures from maximum employment and production which were once erroneously regarded as the 'natural' counterpart of a dynamic economy. The greatest economic lesson which we have learned since the war is that even these moderate departures can be quickly checked and reversed by prompt and intelligent action in the business world and in government policy. We have learned not only that they can be checked; we have learned also that they must be checked. The whole world should note that never before in the modern industrial history of the United States, following a great war and a combination of business circumstances so threatening as those of early 1949, did there occur so rapid, vigorous, and sustained a recovery after so short and limited a downturn. This was no accident; there were concrete reasons for it in the structure of the United States economy and in the content of private and public policy. The best proof that these concrete reasons existed is that, even during the darker moments of 1949, those who had analyzed the situation most carefully and objectively detected the underlying strength of the situation and foretold the advent of a vigorous recovery and of a movement to new heights."

Mr. Keyserling next cited these facts to illustrate the current power of the United States economy:

"Measured in 1949 dollars, our total output of goods and services was about $152 billion in 1929, about $160 billion in 1939, and about $262 billion at an annual rate in the peak quarter of 1948. At present, the annual rate of total output is about $269 billion in 1949 prices ($270 billion in current prices). Further, prosperity is now on a more stable footing than at any previous time since the end of the war, and immeasurably more solid than at any time before the war. Fundamental business investment and consumer buying power are moving upward in a better balanced relationship than during the inflationary period of 1947 and 1948. Absolute price stability has not been acheived, but inflationary trends are spotty and are not yet of large current significance. Industrial peace has been cemented in strategic 'leadership' sectors of the economy. The government's general financial position is extremely strong and improving. The recent heightening of international tensions has revealed the underlying unity and capacity for agreement among various groups and points of view, despite superficial disagreement on minor or peripheral points. When we in the United States have to stand together, we do so; and we will stand together for the protection and advancement of the economic strength which provides support both for our national security and our national aspirations."

Present Economic Strength Prelude to Further Progress

To show that the current strength of the United States economy is but the prelude to further progress, Mr. Keyserling said:

"We have by no means reached the last frontiers of our growth. There is nothing 'stagnant' about our economic situation. Our productivity per man-hour worked has averaged an annual increase of 2½% during the last few years, and this is higher than the average before the war. Large capital investment in the most modern plant and equipment and constant advances in science and technology, quite apart from the possibility of entirely novel applications of energy to production, should augment this rate of productivity increase in the years immediately ahead. Added to this, we have a skilled and eager labor force, growing by about three-quarters of a million a year, to apply more manpower to the operation of better machines. And to

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The New York Stock Exchange—Its Economic and Social Functions

By EDWARD C. GRAY*
Executive Vice-President, New York Stock Exchange

After describing organization and operation of the New York Stock Exchange, Mr. Gray asserts its untrammelled existence is essential to our capitalistic free enterprise system. Stresses need of obtaining capital for increased employment of individuals in industry and points out necessity of having free markets to provide liquidity for investments and for registering asset value of securities. Reviews tax situation as it affects securities.

The New York Stock Exchange is an unincorporated association of 1,375 members, many of whom are partners in some 600-odd member firms. In those firms there are 3,700 partners. Partners who are not members are allied members of the Exchange.

Edward C. Gray

A member can go on the floor and transact business; the allied member cannot. A member is entitled to have his business done at member rates. Allied members do not have that right; they are, however, subject to the same discipline as may, if necessary, be applied by the Exchange to a member.

Member firms have 1,600 offices in 380 cities in the United States.

Members elect a board of governors who set the policies of the Exchange. The Board of Governors—a third of which is elected each year from the members and allied members of the Exchange—determines the rules and policies of the Exchange and, also, possesses the disciplinary authority of the Exchange. The Exchange is self-governing, self-administering, and self-disciplined.

The administration of the policies of the Exchange rests in the President and his staff. The Exchange and its affiliated companies have some 1,100 employees, 420 of whom work on the trading floor. The Exchange operates the entire block from Broad to New Street and from Wall Street to Exchange Place.

One of the administrative departments is in charge of stock listings, and I understand Mr. West, Director of that Department, is to discuss its operations with you later on in the course. That department supervises the preparation of the applications of companies to have their securities admitted to trading on the Exchange.

The Department of Member Firms administers the policies and rules concerning the conduct of business by member firms including financial control of securities and the segregation of customers. Mr. Coyle, Director of that Department, is scheduled, as you know, to discuss his Department with you next week.

Our Department of Floor Procedure, as its name implies, administers the rules and policies relating to trading on the floor of the Exchange.

A subsidiary company of the Exchange, which you will hear more about when Mr. George F. Muller, Vice-President, addresses you on July 24, takes care of the consummation, by receipt and delivery of securities and cash, of transactions on the floor, is the Stock Clearing Corporation. Incidentally, the Exchange has three subsidiary corporations, the Stock Clearing, which clears stocks and money; the New York Quotation Company, which publishes transactions on the ticker tape, and the Building Company, in charge of the maintenance of our buildings.

By and large, the Board of Governors is set up somewhat like the board of directors of a corporation. The staff is similar to the staff of a corporation, which conducts the operations of the corporation under the directors of the board. The President, is the directing head of the organization personnel.

The Exchange is a two-way auction market, by that, I mean, sellers compete against sellers, buyers compete against buyers. The buyers and sellers are represented on the floor by the members of the Exchange acting as their agents. The highest bid and the lowest offer have the floor, as in any auction. The Exchange is a "secondary" market. The "primary" market, of course, is the initial sale of the securities of a company.

The Exchange is a vital part of the economic machinery of the country. Without the market it provides, corporations would find it very difficult to be able to sell their securities to the public. Anyone purchasing a security is naturally interested in what facility exists for its prompt exchange for cash in the event of necessity or choice. The importance of marketability of a security is, I realize, clear to you.

Both an Auction Market and a Secondary Market

The Exchange, because it is an open auction market, reflects in the prices of transactions on its floor a measure of the operating results and values of corporations on its list. The Exchange is considered by some to be a barometer of the business outlook. Some claim it provides an indication of what the economic picture is going to be three to six months hence.

Such markets as the New York Stock Exchange can exist only in a capitalistic country. You find that wherever any other form of political organization is set up, one of the first facilities to be eliminated is free markets. This has happened time and again in countries that tried socialism or communism, because either of those forms of government carries a restriction of freedom.

To return to our consideration of marketability, let's take real estate as an example. If you have tried to buy a home or sell one, you found that it takes a lot of time and a lot of trouble. In the event you are buying, you are interested in having the property surveyed, and you want to know if the title is clear. You may be obliged to go to a lawyer's office several times before the purchase is cleared satisfactorily. Conversely, the same is true on the sales side.

Now, let's look at the purchase or sale of securities listed on the Exchange. You go to a broker's office and give him an order to sell your stock. In a few minutes you know the price. In three days you have a check for the proceeds. To us the discharge of that function is an important responsibility, an essential facility.

For a moment, let's deviate from our theme. I would like to discuss briefly the need for increasing the productive capacity of industry. Industry's labor force is increasing, in the form of new workers, at the rate of 700-odd thousand a year. To provide the profitable employment they seek, industry's capacity to produce must increase, and the enabling capital must come from new savings and new funds.

Tax Policies Drying Up Venture Capital

It is, I think, widely recognized that the government's tax policies are tending to dry up the traditional sources of venture capital. Those with large incomes and substantial savings who, in the past, have been a major source of equity capital for industry, are no longer able to perform their normal function. Even where surplus funds are still available, according to a prominent financial editor, "These people (the wealthy) are less interested in corporate stocks because the net returns from such investments, after taxes, do not compensate for the risks involved." Until the tax structure undergoes a major revision, new sources of equity capital will be necessary. The country is busy and wealthy; its aggregate savings are at a high point. Some of these surplus funds must be employed in productive investment if the nation's industrial plant is to grow and its private capital markets to prosper.

So that necessity for the equity capital must be met from the lower or middle income groups which have the bulk of savings these days. There are some 85 million holders of Government Savings Bonds, but, as the Federal Reserve Board recently indicated, some 6 to 7 million stockholders. That estimate was made by the University of Michigan for the Federal Reserve. Other estimates range no higher, however, than 20 million, at the outside. The

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*A lecture given on July 10, 1950, the first in a series of 17 on the New York Securities Markets and their Operations, sponsored jointly by the New York Securities Industry and the University of Vermont's Department of Commerce & Economics.

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The Money Market and Factors in Securities Analysis

By WILLIAM W. TOWNSEND*
President, Townsend-Skinner & Co.

Mr. Townsend in covering the field of investment analysis and stressing significance of the money market on security values, discusses the limitations of statistics and formulas as guides. Emphasizes principle of degree of risk or safety existing that has not been anticipated as well as effects of change in basic rate of money. Holds banking figures are valuable in analysis of business trends and contends that through medium of market activity, tendency is for security price to approximate its value. Says timing in securities purchase is "awfully important"

In this fair land of ours there is almost nothing that we don't do with money. We borrow it; we lend it; we hoard it; we spend it; we gamble with it; we lose it, but the money doesn't disappear. It passes from one hand to another, and the only way to get rid of it is by reversing the processes by which it was created. There isn't anything more important to the outcome of our economy than what 150 million people of our country are actually doing with their money, what kind of money they have to do it, and how much of it they have.

W. W. Townsend

The interesting part of our bank-figures analysis is this: Those figures are released every Wednesday as of the preceding Wednesday, and they are facts of record. They involve no assumptions whatever. They constitute a preview of the statistics that will be published by the various corporations of the country in a few weeks or a few months hence.

It would be a difficult thing for me to escape the implication that I am an economic forecaster, but I despise the word, "forecaster." Forecasting implies a prescience, of which we have exactly nothing. We are merely the possessors of advance information. In the fall of 1948 the forecasters were very much embarrassed by the outcome of the election. If they had had an opportunity to run around behind the voting machines and take a quick look at the figures before the tellers got there, they wouldn't have been embarrassed.

An interesting case in point is that the newspapers for a week have been full of predictions based on a perfectly plausible assumption—that the public is going to rush to buy scarce goods, and (the wish being father to the thought) a great many commentators say that they are actually doing it. In some instances they may be, but you may be interested to know that the banking figures, which were available to us last week and which had in them only three days of business after the Korean situation burst on the horizon, showed a drop of 10% in spending. Now, a 10% decrease is a big drop. I don't know yet what the figures for this week will disclose, but it is my guess that those figures will be off again for the week.

The economists of the country are forced by the nature of their work to argue from cause to consequence, but in the middle of the argument there sits the most unpredictable factor in the world—John Q. Public. The economist is unable to predict what he may or may not do, merely because he should do it or because he did it the last time in a similar situation.

In 1934, for example, the gentleman who was in the White House, and who, if you recall, stayed there quite a little while, was sold the idea that if the people had more money they would spend more money. Well, maybe they would and maybe they wouldn't. But eventually he raised the price of gold and we shortly found ourselves presented with about three-fourths of the gold ever mined in the history of the world. That was monetized into the banking system without any offsetting earning assets. That is what you can do with gold.

The public hadn't been interested in spending the money they had and they didn't care about the new money, but the bankers were confronted with a perfectly tremendous flood of deposits against which they had no earning assets and they actually tried to invest that gold.

That situation was exactly the same as it would be if there were one bank on the island of Bermuda and there were no boats. If they tried to buy something with that gold it would be out of the bank about two hours because the seller would run around and deposit the gold in the bank in the afternoon. However, the bankers in 1934 decided they were going to try to invest that gold, but since their investments themselves created money, the gold remained as an overlay, and when the transactions were over, it was still there.

That was one of those instances in which it was assumed that the public was going to do something and it did the opposite.

Just to carry the historical picture a little farther, you may recall in 1946 or 1947 we found that there were $6 billion worth of excess reserves in the Federal Reserve banks. All that amounted to was excess till cash. The bankers they didn't want to bother any longer with the competition for the relatively scarce securities. Gold had not produced prosperity but its impact on investments produced the greatest bond price inflation in the history of this nation. That, gentlemen, is how we got cheap money. It wasn't a matter of design. A "planned economy" often starts out to do something and finds itself with an entirely different result on its hands.

Buying Right Security at Right Price

All those items are part of the banking figures. We spoke of monetary statistics and how useful they are in the whole question of security analysis.

What is it that we are after? It seems to me that the thing we are trying to do is to find out whether or not the security we are planning to buy is the right security. Is it selling at the right price, and are we buying it at the right time? That time element is very important because fluctua-

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*A lecture given on July 10, the first in a series of 17 on Securities Analysis sponsored jointly by the New York Securities Industry and the University of Vermont's Department of Commerce & Economics.

Reports Slight Rise In Interest Rate on Business Loans

The average rate of interest charged on loans to business concerns by New York City banks moved slightly higher between March and June, 1950, but remained approximately at or below the rates charged in June, 1949, according to reports received by the Federal Reserve Bank of New York from the main offices of 12 New York City banks and 15 of their larger branches. These reports cover all business loans made during the first half of each of the respective months.

The average rate on short-term loans (those due on demand or within one year) was 2.34% in the first half of June, 1950, compared with 2.28% in the first half of March, 1950, and 2.33% during the first half of June, 1949. The most recent rates were moderately higher than in March, 1950, for most of the different size groups of short-term loans, but compared with the same period of 1949 they were generally lower despite the virtually unchanged level of the average rate. This seemingly contradictory situation reflected a change in the composition of the loans placed, namely, a reduction from a year ago in the volume of very large, low-rate loans and a contrasting rise in the volume of smaller loans carrying higher rates. The total number of short-term loans made in the first half of June was considerably greater than in either of the earlier periods, but the aggregate dollar volume was not materially larger.

The average rate on term loans (those due in more than one year) was 2.48% in the first half of June, 1950, compared with 2.35% in March, 1950, and 2.77% in June, 1949. The June, 1950, rates on smaller term loans (those below $500,000) showed no consistent change compared either with March, 1950 or with June of last year. The rates for the larger term loans, however, moved in line with the over-all average rate for term loans, being higher than in March, 1950, but lower than in June, 1949. These larger loans, although relatively few in number, always account for a large proportion of the total dollar volume of term loans made, and thus their rate fluctuations tend to dominate changes in the average rate.

The dollar volume of term loans reported in the first half of June, 1950, rose $65,000,000 over the corresponding period in March to $110,000,000 and was the largest for any similar quarterly period since September, 1948, when such loans totaled $145,000,000. The number of term loans placed by the reporting banks also increased sharply to 215 and was the largest since June, 1948, when 225 were made.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

A mild falling off in total industrial production was the order the past week as a result of fewer working days stemming from the Fourth of July holiday.

Steel ingot production dipped about nine points to 92.6% of capacity, while automotive output in turn declined some 7%. However, it is reported that the latter industry production held at close to 32% above the level for the comparable week a year ago.

According to this week's issue of "Steel," national metalworking magazine, the heavy demand that has kept steel producing plants operating at or above capacity may become even greater in the next few weeks.

That prospect develops from civilian reaction to United States military action in Korea. Remembering shortages and allocations of the last war, many people have rushed into the nation's salesrooms to buy or place orders for automobiles, appliances and other goods that might become restricted in supply in event of a worsening of the international picture.

This buying, being superimposed on an already heavy demand for hard goods, can't help but be felt all the way back through manufacturer to steel producer, if military necessity does not interfere with peacetime industrial operating schedules, states this trade paper.

Steel consumption is currently down somewhat because of metalworking plants' summer vacations for employees but there is no let-up in pressure for steel; metalworking plants are sure they will need all the steel they will be able to get.

As a result steel producers have all the orders they care to book for all major products. With the automobile industry—the nation's No. 1 consumer of steel—at breakneck production pace its requirements of hot and cold-rolled carbon steel sheets and strip continue to keep those products under the most intense pressure for delivery.

Even though steel demand exceeds supply the observance of the Fourth of July and the taking of summer vacations in industry have become firmly enough established to cut the steel industry's production rate. In the week ended July 8, steelmaking operations dropped below theoretical capacity for the first time since mid-April. A drop of 6½ percentage points put the estimated national ingot making rate at 95% of capacity.

For 11 weeks prior to the holiday, states the American Iron and Steel Institute, steelmaking furnaces were being operated at 100% of capacity or better.

Steel Output Curtailed by Industry's Vacation Schedule

Plans are under way this week to back the United Nations' fight in Korea with the biggest steel potential in the history of the world, "The Iron Age," national metalworking weekly, states in its current summary of the steel trade. While the industry will be able to take care of unprecedented domestic demand, there will be no hesitation to sidetrack such orders for military needs when and if the word is given, it adds.

A new voluntary allocations plans for the steel industry is likely in the very near future. It has been learned that the Department of Commerce is preparing to form an iron and steel industry advisory committee—possibly this week. This committee will be composed of men responsible for production, distribution, transportation and raw materials. It will work closely with government officials to insure speedy action on military orders and fair distribution of tonnages available for non-military uses.

War goods includes a great deal more than guns, tanks, planes and ammunition. Now revived is a program for 100,000 freight cars which would require 2.3 million tons of steel. And pushing ahead orders for such items as jeeps, trailers and Air Corps lockers will require speedy channeling of supplies.

Orders for this type of goods will place even greater demand on plates and hot and cold-rolled sheets—items which are already high on the scarce list. As long as the military holds strict control over its many departments in ordering steel for preferential needs there will be no trouble.

As it affects industry, the military problem now is four-part, this trade authority points out: (1) To replace battle material and equipment lost in Korea; (2) to replace material shipped from the United States; (3) to build new material for Korea and the

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Shorten Capital Gains Holding Period and thus Increase Revenue

By ELISHA M. FRIEDMAN*
Consulting Economist, New York City

Mr. Friedman, prime mover since 1938 in revising capital gains tax, urged Senate Committee's approval of three months holding period. Showed past shortening of holding period produced phenomenal increase in revenue, exceeding his 1942 forecast regarded as "extravagant" by former Treasury Counsel. Holds even if Korean situation causes shelving tax reductions in H.R. 8920, capital gains provision for 3 months holding period should be enacted to increase revenue.

I have appeared, as a public service, before the Senate Finance Committee or filed briefs with it on the capital gains tax since 1938, the only witness that has done so continuously. My interest in this tax was aroused during a trip abroad in 1936 when one of the leading banking firms of Holland cited a notice from the United States Treasury requiring the firm's clients to file returns on capital gains tax. The firm suggested that I ask the American authorities to look into the problem, otherwise the effect would be to shift trading in American securities to European markets where no capital gains tax was in effect, thus reducing brokers' income and Treasury taxes.

Elisha M. Friedman

My 1938 brief urged shortening to six months the five holding periods which then ranged from under one year to over ten years.

In 1942 I brought to the hearings bankers from Belgium, Holland and France, then resident in New York, who explained why their countries had no capital gains tax. I also interested Mr. Emil Schram and persuaded him to join in appearing before the Senate Committee.

Shortening the holding period to six months in 1942 greatly increased receipts from capital gains taxes as I predicted. Approval by the Senate of the House provision for a three months holding period in H.R. 8920 will undoubtedly produce even more revenue. Since the Korean expedition of the UN requires more funds from the United States, **the three months holding period should be made law even if the Congress shelves the rest of the tax bill which is aimed at reducing revenue.**

Capital gains is essentially not income. The unique and most significant characteristic of the capital gains tax is that it is contingent. This view was clearly stated by Senator Connally, who said: "It seems to me there is a differentiation between ordinary income and capital gains. In the case of ordinary income the taxpayer has to pay it; he has no choice. But in the case of capital gains he has a choice; he does not have to realize unless he wants to. * * * If the holder does not sell, you do not get any tax." Only the taxpayer decides whether or not to realize the gain.

Unlike capital gains, income is regular and recurrent. It may decline, but it never becomes a minus However, capital gain in one year may be followed by capital losses for several years. For example, the net capital gain in 1917 of $207 million was followed by six years of capital loss through the year 1923 totaling about $3.6 billion. Then followed six years of capital gains from 1924 to 1929 and four years of capital losses 1930 to 1933; then four years of capital gains, 1934-37 and three years of capital losses, 1938-40.

For the entire 24 years 1917 to 1940, the capital gains amounted to about $6.1 billion but if the fantastic boom of 1925-29 is eliminated, then the remaining 19 years show net capital loss of $8.3 billion. The above returns cover periods of prosperity and depression. The average receipts for most years were minus (deductions from the income tax) and the average for the entire period was trifling.

Over a generation, losses and gains so completely offset each other that net capital gains were insignificant, less than 3% of the taxable income for the period 1917-1931 Certainly, it is very easy to take periods of five or more years within the period

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*A brief by Mr. Friedman submitted to the Senate Finance Committee on the Capital Gains Tax, Washington, D. C., July 11, 1950.

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What's Ahead for Stock Market?

By RODGER W. BRIDWELL

Partner, Investors Research Company, Santa Barbara, Cal.

Commenting on recent slump in stock prices, Mr. Bridwell recalls similar situations in past and holds stock market, because of hasty emotional action, consistently misjudges effect of events. Says stocks should be bought, not sold, immediately following panic stage of a decline. Looks for some recovery of lost ground during coming months in stock prices, provided no major war develops.

The last week in June witnessed the most sensational wave of panic selling in the stock market since May 1940, with the possible exception of the Sept. 3, 1946 deluge. Within the brief period of four days, between June 26 and 30, a decline in stock values occurred amounting to almost 10%, as measured by the Dow, Jones Industrial Average. The immediate cause of of the selling was the outbreak of war in Korea and the fear in the minds of investors that this development would ultimately lead to war with the Soviet Union. Many market analysts hold that the market was in an overbought or weak technical position and more vulnerable than usual to unfavorable news. Whether or not this viewpoint is justified is an open question, particularly in view of the relatively moderate speculative interest accompanying the rise up to that time. It should also be remembered that equally severe panic declines have occurred in the past when leading stocks were much less overextended.

R. W. Bridwell

That the period following the current drastic collapse has been fraught with uncertainty for most investors is indicated by the wild price gyrations registered in a majority of individual stocks. Probably most investors who personally keep a close watch on their portfolios have been confronted with the perplexing problem of whether to reduce the proportion of their funds in stocks in anticipation of a further sizable decline in stock prices. Or, if currently in an underinvested position, to greet the lower market level as a golden opportunity to purchase securities for long-term holding before the interrupted bull market gets underway again.

Past Market Action

In dealing with this problem it may be helpful to review past market action following periods of sudden price change caused by spur - of - the - moment emotional buying or selling. Examination of the record reveals rather impressive evidence favoring the conclusion that the market consistently misjudges the effect of current events when it judges them in haste. Calm and leisurely appraisal of the evidence after one of these emotional sprees usually dictates a more rational attitude be adopted regarding the ultimate effect on stock prices of such unexpected events. If we are correct in assuming that the bulk of panic selling or emotional buying, at least in its later stages, is attributable to the public, then we must conclude that the public is especially adept at misjudging the import of war developments. In fact, there is reason to believe that all the technical signals dear to the heart of market analysts are suspect when war or other unexpected developments are in the process of being rationalized by the public. Contrary to popular belief the market seems to rationalize the past or present more often than it discounts the future, and even this rationalization is often inaccurate.

Generally speaking, it appears that stocks should be bought, not sold, immediately following the panic stages of a decline caused by war or other totally unexpected news. As a corollary to this rule stocks should be sold, not bought, following a war-inspired dynamic upside surge. Examples supporting these conclusions come readily to mind.

The Slump of 1939

News of the outbreak of war in Europe in the fall of 1939 resulted in a mad scramble for stocks. Stock prices rose 15% as measured by the Dow, Jones Industrial Average, in just seven trading days. (Incidentally, the market completely misjudged the implications of the outbreak of war, since it eventually proved very bearish for stocks.) When this emotional buying calmed down, the level of the industrial Average was about 155. A slow decline immediately set in and stock prices did not recover to the 155 level again until five years had passed.

When the German Blitzkrieg was unleashed against the Low Countries and France in May 1940, the market reacted with the worst panic since 1929. Stock values were slashed 20% in just eight trading days. When the panic selling subsided, a low was established which held for well over a year, and during the months following the panic, stock prices recovered on the average about 75% of the last ground.

The September 1946 Break

Strictly speaking, the panic which occupied the attention of most of us in September, 1946, cannot be compared to the others discussed or to the one recently touched off by the Korean war. It was essentially a cumulative affair which developed from a slowly disintegrating internal market condition, rather than from the market's attempt to appraise unexpected war news. Even in this case, it is worth remembering that after breaking 15% in 10 trading days, over half of the ground lost was recovered by the following January. This decline is also very difficult to justify on the basis of sound reasoning, since inflation, production, industrial earnings, and dividends all steadily increased over the two or three years following the wide-open break. Accordingly, the investor who bought stocks at the post-panic lows in September, 1946, was considerably better off in the long run than those who sold out at the levels then prevailing and held cash.

More comparable to the present situation was the panic following the election upset in November, 1948. After a rally during September and October to the 190 level, the market reacted 9% in just six trading days. During the following two or three months, stock prices rallied back to the 182 level—recovering about half of the losses yielded in November. While the critical downside levels established in November were subsequently violated in June, 1949, this penetration endured only five weeks and was followed by the year-long uninterrupted 1949-50 bull move.

Recovery of Some Lost Ground Expected

The severity of the recent June panic is demonstrated by the fact that a full 10% was clipped from stock values in only four trading days—one of the fastest declines on record. To attempt to predict the future action of the stock market on the basis of analogy with similar situations in prior years is always a hazardous procedure. Invariably, some new and different factor is overlooked which largely invalidates the analogy. Nevertheless, the reaction of mass psychology to the unexpected or unknown seems to follow a rather definite and reliable pattern. On the assumption that this broad pattern will be adhered to once again, we can draw the following conclusions about the immediate course of the stock market: (1) That the recent panic lows of the market will not be seriously violated during the next few months; and (2) That sometime during this period, stock prices will recover substantially—possibly two-thirds of the ground lost in June.

This analysis presupposes a full-scale shooting war with Russia will not break out—a conclusion which seems justified in view of the imperfect record of the stock market in evaluating the impact of similar situations in the past.

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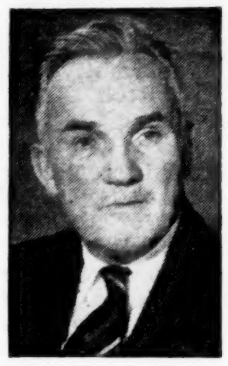
From Washington Ahead of the News

By CARLISLE BARGERON

If the American people are going to insist, through their columnists, radio commentators and secondarily through Congress, which in international affairs has about ceased to be an influence, upon being global leaders, they have got to learn to take such as the Korean episodes in their stride. There will be plenty more of them and if we are to keep from going nuts we must train ourselves to look upon them as nothing more than the routine activities of a people who have become so worldly wise.



Carlisle Bargeron

When Britain was the global leader, her troops and her navy were active somewhere under the sun a large part of the time. But it was only in such major undertakings as World Wars I and II that she went in for all out mobilizations of manpower and industry. Here we are, at the first disagreeable episode of our global leadership—it has been a perfect joy to put out money—talking about calling up all of our manpower and mobilizing all industry and going back to rationing and Chester Bowles. It will, indeed, be truly amazing if we do not move into all this, the trend toward the complete domination by the government of the people seeming to be almost irresistible even before the Korean fracas. Already those impossible neighbors who served as air raid wardens in the last war are just itching to blow their whistles and order their fellow citizens into shelters again.

In the ordinary course of things and going by our minor military operations of the past, such as our two excursions into Mexico, the Korean crisis should peter out after several months and gradually be relegated to the inside pages of the newspapers. American boys will have been killed, our national debt will have been greatly increased, and nothing will have been accomplished. Not unlikely it will come about that Communist China will get a seat in the United Nations with only passive resistance from us. It is being bruited about among the experts here in Washington that this the bargain Stalin wants to make. But what completely baffles me about this international intrigue at which we are now trying to play is that the Administration has wanted for a long time to give Red China this seat, Britain being for it and having long ago recognized the Red Chinese government, and has only held back because public opinion did not seem set for it. But six months from now, the propaganda will probably be that the Red Chinese government has shown itself fully established and one of the great powers of the world. Red China will have given us a miserable time in Korea by way of showing this.

Maybe these are analogies: In 1914 we landed Marines in Vera Cruz to make old Huerta salute the flag. All of the big correspondents of the time, including Jack London, went along and their stories filled the front pages for many months to come. Finally their stuff became dull, the Marines were quietly withdrawn. Huerta never did salute the flag but we did take the money from the Vera Cruz customs house that accumulated during our occupation. American boys were killed but more Mexicans were killed, so the story went and probably it was true.

Then in 1916 Woodrow Wilson sent Pershing with an expedition into Mexico to avenge the raid of the bandit Villa upon Columbus, N. Mex. It can't be truthfully said that this raid was ever avenged; Pershing never captured the bandit though the story persisted that he was within hands reach several times. It turned out that we wouldn't have known what to do with Villa had he been captured but that was before the Nuremberg trials. What did happen to the token force we sent after Villa was that his men ambushed and completely annihilated two troops of the 10th Cavalry. Our troops were greatly outnumbered we were told and it was a bloody shame what this bandit did.

Several hundred thousands of National Guardsmen were called out during this expedition to back up Pershing on the border and after it was all over, our people instead of being incensed over the whole sordid business were propagandized with the argument that our leaders were really showing farsightedness because now they had an army trained to take on the Germans. However, the people didn't think so well of Mr. Wilson and his fellow Democrats in 1920 and it maybe they won't be thinking so well of Mr. Truman and his fellow Democrats this November or in 1952. You can't tell.

Roosevelt was reelected for the fourth time in 1944 but the war was still on and there was some justification for the feeling on the part of countless mothers and fathers that the war might be delayed for a few days if a change in Administrations occurred. I would have bet my last penny that the reaction would certainly engulf Truman in 1948 and it would have had it not been for the complete ineptness of the Republicans.

I recall very clearly that in the Congressional campaigns of 1942, Roosevelt was trying mighty hard to bring off the African invasion before that November election day. Through unavoidable delay the invasion came a few days later. Thus, the Republicans on that election day captured more than 80 seats and came near to getting control of Congress.

Garfield Co. to Admit Gronick as Partner

Samuel Gronick will become a partner in Garfield & Co., 60 Beaver Street, New York City, members of the New York Stock Exchange, on July 20. Mr. Gronick was formerly a partner in Gilbert J. Postley & Co.

Orgain & Williams

BEAUMONT, Tex.—John C. Orgain and Laurie L. Williams have formed Orgain & Williams with offices in the American National Bank Building to engage in the securities business.

Reserve Oil Corp.

Reserve Oil Corp. has been formed with offices at 141 Fifth Avenue, New York City. Officers are George G. Weber, President; Marian O. Bowman, Secretary; and Walter H. Morgan, Vice-President and Treasurer.

A. J. Aucoin Now With J. Arthur Warner & Co.

J. Arthur Warner & Co. Inc. announce that Anselm John Aucoin has joined the sales department of their New York office, 120 Broadway, New York City. He was formerly with Van Alstyne, Noel & Co.

Techniques for Avoiding Depression

By COURTNEY C. BROWN*
Head, Petroleum Economics Department, Standard Oil Company (N. J.)

After pointing out avoiding extreme fluctuations in business is a continuous job and requires attention in prosperity periods as well as in depression, Dr. Brown reviews and criticizes proposed correctional devices, such as investment stabilization, fiscal policy, and revision of income distribution through wage-price policy, as well as imposition of structural supports to prevent chaotic markets. Contends business fluctuations result from progressive changes, and are not necessarily harmful. Stresses need for expansion of markets as means of stabilizing and increasing prosperity.

Depression is bad. Prosperity is something that everybody can endorse. It is good. We all like it. We all want to do those things which are most likely to assure its maintenance. Business firms particularly have very much at stake in the maintenance of stable conditions. Profits are a residual. They move up and down much more violently than the general level of business. They are not so stable as many other income shares. In its own interest, business has an especially large stake in the maintenance of stability.

C. C. Brown

But I am afraid it is too much to expect that a high degree of stability can be indefinitely maintained. The title of this meeting includes the term "techniques"—techniques for avoiding depression. It is a word most often associated with the natural sciences and engineering. It may be just a little bit misleading, because it suggests that this matter of policies and measures with respect to prosperity and depression is more exact than it is in fact.

To avoid another possible misunderstanding, I think it should be emphasized that techniques used to aovid depression must include measures taken during periods of prosperity, as well as during periods of depression. Many of the seeds of business disturbance are planted in mistaken policies taken during a period of prosperity without much thought of depression. To quote Arthur F. Burns in his recently issued annual report of the National Bureau of Economic Research ". . . developments during prosperity . . . shape the character of a depression." It is likewise true, he believes, ". . . that a host of developments during a business decline, largely unconnected with what happened during the preceding 'prosperity', may convert what might have been a mild contraction into a severe one."

Avoiding Depressions a Continuous Job

These comments by one of our most careful observers of business behavior, point up the first characteristic of business cycles that I want to emphasize this morning. Despite the fact that it is not an exact science, study and action with respect to avoiding depression should be a continuous job. It is something that is of concern to us during prosperity, as well as during a period of decline. It is something we must be constantly thinking about, because the effects of mistaken actions taken in the buoyant years may be quite as socially harmful as mistaken actions taken during periods of contraction, even though their results may be temporarily obscured by the optimism of the moment.

The second point that I want to make is that I do not believe that anyone is so sanguine as to believe that it is possible to eliminate all business fluctuations. The level of total business activity is after all the aggregate activity of many different types of economic effort and enterprise. At any given time, some are expanding and some are contracting. The idea that the aggregate can be maintained at an approximately constant level strains credulity.

Nor is it desirable that activity should be maintained at an approximately constant volume, either with respect to the aggregate or with respect to the individual firms and enterprises that make up the aggregate. Progress has its price. The dynamic quality of the successful economy that has been developed in this country derives very largely from its flexibility, and flexibility is another term for change. Flexibility of the parts, may help prevent some of the worst phases of aggregate instability, by permitting adjustments before they become too difficult. But it cannot eliminate instability. Indeed some instability in the aggregate is inherent in the variability of the parts.

Dexter Keezer and his associates at McGraw-Hill recently published a book called "Making Capitalism Work," in which they emphasized the importance of maintaining enough flexibility to invite new enterprise and to dislodge the dead wood of inefficient business management and organizations. Without such flexibility, our cherished ideas of growth and of better things for more people, which in this country is a dream come true, would disappear in the dry winds of a stratifying immobility.

But all this does not deny the possibility, or the desirability, of eliminating the extremes of fluctuations in the aggregate of activity—and it is to that purpose that I believe most of us address ourselves when we talk about avoiding depression, or in alternative terms, which I personally like better, of maintaining prosperity. Part of the effort should be to maintain enough flexibility in the economy to permit it to adjust to the complex and changing pattern of consumer wants. This is sometimes called a pattern of wage-cost-price relationships that will clear markets, both in detail and in the aggregate. It is also called balance, or equilibrium in some of our economic text books. A lack of balance in this sense will result in a decline or a prolongation of a decline. A restoration of balance will help business recover. Mr. Leon Keyserling, Chairman of the President's Economic Advisory Council, has recently reaffirmed his view that "The most serious insufficiency in our previous anti-depression efforts . . . was that they did not place enough emphasis upon restoring balance within the enterprise system itself. . . ."

Before turning to some of the quantitative devices that have been proposed to maintain prosperity, I would like to make a third introductory point. It is this. The selection of criteria to measure the degree of desired stability is anything but an easy matter. Most people, I believe, would deny this, and be quite satisfied to let the level of unemployment guide them in their thinking. Certainly that is one of the most important of the criteria, despite the difficulties of its measurement, and despite the difficulty of agreement on the optimum level of employment. But I want to suggest the possibility that too many of us have made it a fetish that will, unless we are careful, exclude from our vision and thinking other equally important criteria.

Do Not Want a Static Society

Except for natural catastrophes, the Middle Ages had full employment. For five or six hundred years it was uninterrupted. But I do not think that such a static society is the kind of society we want today. It is conceivable that we might achieve full employment and at the same time, experience a declining level of real income. Full employment measures, particularly when they are promoted by special interests, may take the form of fair trade arrangements that outlaw price competition, of feather-bedding protection, or of destruction of past production. Such restrictive measures are the antithesis of growth and rising living standards. For somewhat different reasons, I believe you would find a situation of substantially full employment at declining levels of real income in England today, if it were not for the Marshall Plan, and other appropriate measures which have been taken to assist our ally in two great world wars.

If full employment policies are restrictive rather than expansive, they begin to erode the wellsprings of material progress, and it then becomes advisable to reanalyze those policies to test their social desirability. Just as the social cost of a business decline may be determined in part by policies and actions of the preceding prosperity, so may the social benefit of a prosperity be limited by the policies and action of a preceding period of low activity.

These several introductory thoughts are sufficient to demonstrate two features of this subject that I think we should keep in mind. One—we are not dealing with an exact science when we talk about business cycles, and the devices that have been conceived to influence the direction of business change; and two—we must be as hard-headed and precise as we possibly can in the use of our analytical tools, because any action taken, even though for an ostensibly laudable purpose, will have multiple results, some of which may be as unexpected as they are socially undesirable.

Stabilization of Investment

One of the devices to maintain prosperity that is frequently recited is the stabilization of total investment outlays, both public and private.

Private or business investment is influenced by a number of things. The total that can be made cannot exceed the amount of depreciation, plus retained profits, plus net change in debt, plus commitment of equity capital, usually new capital funds obtained in the organized security markets. The total business investment that will be made will depend primarily on management's judgment of the stockholder's best interest, and in this, profitability is usually of prime importance. That is a matter that is compelled by common sense as well as by law. A business that is unprofitable for a period of time will find that it is no longer a business.

But there is a latitude in the interpretation of the stockholder's best interest. Most of our text books tell us that the degree of profitableness is the overriding consideration. There is a suggestion of immediacy in the profitability. But immediate profitability may or may not be the prime consideration when the stockholder's long-run interest is recognized.

During periods of short supply, there have been times when American enterprise has deliberately confined new capital outlays to those projects which would increase available supplies; and because of a limited supply of capital, has denied investment in those projects where large payouts could result, but without an increase of supplies. In such a period, the public clamor for supplies denies the opportunity to contra-cyclically withhold capital investment.

Or again, business outlays for hospitals, schools, and other personnel or civic facilities, for example, are designed to assure a high level of well-being and morale on the part of those associated with the enterprises. The investment may look like a desirable one in such cases for the long-run interest of the stock-

Continued on page 23

*An address by Dr. Brown at the Summer Institute for Social Progress, Wellesley College, Wellesley, Mass., July 4, 1950.

Interest exempt, in opinion of counsel, from all present Federal Income Taxation.

$2,500,000

The City of Morgantown, West Virginia

2¾%, 2⅜%, 2½% and 2⅝% Water Revenue Bonds

Due serially August 1, 1953 to August 1, 1984, inclusive

Redeemable August 1, 1960 or any interest date thereafter in inverse order of maturities at 102 and accrued interest on or before August 1, 1965; thereafter at 101½ on or before August 1, 1970; thereafter at 101 on or before August 1, 1975; and thereafter redeemable at par and accrued interest.

These Bonds, to be issued under authority of Article 12 of Chapter 8, of the Code of West Virginia 1949, in the opinion of counsel, will constitute valid and legally binding obligations of The City of Morgantown, West Virginia, and together with any parity obligations hereafter issued, are payable solely from the revenues to be derived from the operation of the waterworks system of the City, a sufficient portion of which revenues has been ordered set aside and pledged to the payment of interest on and principal of these waterworks revenue bonds.

Amount	Rate	Maturity	Yield	Amount	Rate	Maturity	Yield	Amount	Rate	Maturity	Yield or Price
$50,000	2¾%	1953	1.25%	$67,000	2⅜%	1964	2.20%	$88,000	2½%	1974	2.45%
51,000	2¾	1954	1.40	69,000	2⅜	1965	2.20	91,000	2½	1975	2.45
52,000	2¾	1955	1.50	70,000	2⅜	1966	2.25	93,000	2½	1976	100
54,000	2¾	1956	1.60	72,000	2⅜	1967	2.25	95,000	2½	1977	100
55,000	2¾	1957	1.70	74,000	2⅜	1968	2.30	98,000	2½	1978	100
57,000	2¾	1958	1.80	76,000	2⅜	1969	2.30	101,000	2⅝	1979	2.55*
58,000	2¾	1959	1.90	78,000	2½	1970	2.35	103,000	2⅝	1980	2.60*
60,000	2¾	1960	2.00	81,000	2½	1971	2.35	106,000	2⅝	1981	2.60*
62,000	2⅜	1961	2.05	84,000	2½	1972	2.40	109,000	2⅝	1982	100
63,000	2⅜	1962	2.10	86,000	2½	1973	2.40	112,000	2⅝	1983	100
65,000	2⅜	1963	2.15					120,000	2⅝	1984	100

*Yield to 2/1/76 first optional date at par

(Accrued interest to be added)

The bonds are offered when, as and if issued and received by us and subject to the approval of legality by Messrs. Chapman & Cutler, whose opinion will be furnished upon delivery. The Offering Circular may be obtained in any state in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

HALSEY, STUART & CO INC. **BLAIR, ROLLINS & CO.** INCORPORATED

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July 10, 1950.

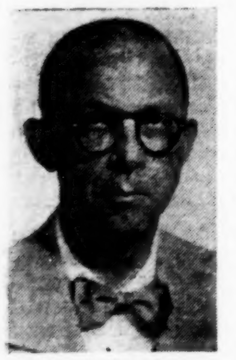
Stock Market Bridge Is Being Built

By EDWARD W. STERN

Herzfeld, Stern & Co., Members N. Y. Stock Exchange

Describing market as having been overbought, then oversold, and now struggling to regain its equilibrium, Mr. Stern believes stocks are possing into strong hands and are headed toward higher levels.

Since the first fury of panic struck on June 26, stocks have been alternately subjected to frenzied selling and the hectic bidding of bargain hunters. Since June 27, the deluges of selling have driven very few issues to new low ground; the bulk of the list has refused stoutly to give way.



Edward W. Stern

On the whole, the market has disclosed a sizable number of buyers whenever bargain levels were reached. Support around the 206 level of the industrials has been consistently good. The lessening of volume and the slower pace of trading on successive downthrusts is significant; it seems that the number of holders that can be stampeded into jettisoning stocks and accepting what bidders choose to offer is lessening.

Rallies have been poor in both volume, duration and carrying power since the lows were made. The very nature of the rallies has convinced some investors that the market lacks real recovery power and that they should plan to liquidate soon.

This is an error. It seems a pity that those who were clearheaded a week or so ago should give up hope of materially better prices just because such prices have not yet been flashed across the translux.

The market is now building a bridge—a bridge spanning the chasm between the top-lofty optimism of early June and the stark panic of the war scare. It is the unknown that terrifies—and investors have been terrified, not by the fear of defeat, but by the imponderable impact of war upon the economy.

A Base Being Formed

To build such a bridge—and such a bridge must be built before the market can have more than a trifling evanescent rally — two conditions are needed. Holders of stocks must know that there is a broad market in which stocks can be liquidated without unexpected losses and the market must be comparatively bare of offerings. In actuality, these are two phases of the same thing. In a series of weak rallies and shallow reactions, shares are passed from weak-willed holders to those of stouter heart. This process is now going on. It may continue to go on a little longer. It is the process that is called making a base. The weak upward drift eventually shows itself to be part of that base.

Technically, the market has gotten down to its objective zone (but not to the lowest point—204 for the Dow Jones Average—in that possibility zone). Pressure-gauge readings show a market that was considerably overbought before the crash, that became oversold during the deluge, and that is now struggling to regain its equilibrium. Some of the framework of the bridge is already in place—enough to make the 218-220 zone probable, with 224 a not unreasonable possibility. Such levels would probably imply a sprinkling of stocks at new highs, and would certainly imply material improvement in the price level of most industrial stocks. At this point, nothing more or less seems probable.

The Market Outlook And Inflation Hedges

By BRADBURY K. THURLOW

Partner, Minsch, Monell & Co.
Members of the New York Stock Exchange

Mr. Thurlow, contending recent market break is merely interruption in a year-long rising trend, notes, however, due to all-out defense program and its inflationary potentialities, motive for buying should shift from investment to inflation hedge.

It is extraordinary how quickly ideas on the stock market can grow obsolete. Three weeks ago, just before we left on vacation, a bearish friend of ours said that without the hoarding urge inspired by the fear of war the business boom and market would collapse. He predicted a "peace scare" for early July and was out of the market in anticipation thereof. It shows that there is more than one way of making money in Wall Street.

B. K. Thurlow

To predict what the market is going to do over the near term seems even sillier now than it does when there is no news. Technically it has reached a point of decline which has corrected much of the "blue-chip-itis" evident in early June. Most stocks are selling where they were three months ago and slightly higher than when they were in the doldrums early in the year. Much of the stock sold recently has evidently been sold for emotional rather than analytical reasons and precedent suggests that when the sellers repurchase their shares it will be at higher prices. All of this would suggest that the market will not go lower unless there is further bad news of a surprising nature. But this, of course, is a very large *unless*.

For the longer term the outlook is clearer. The outbreak of quasi-guerrilla hostilities in Asia and the suggestion that similar eruptions will occur elsewhere is psychologically unsettling but does not necessarily bring any nearer the much dreaded shower of atom bombs on New York City. Formal war, if it comes, will almost certainly come on our initiative. Communist countries do not believe in such bourgeois customs, particularly when they have much to win and little to lose by diversionary tactics which spread our military force thinly over a number of fronts.

All of this suggests that the United States is finally going to undertake to restore its defense mechanism to 1945 strength. If this is done without our entering a declared state of war, there is no reason to believe that taxes will be much higher. On the other hand business, particularly heavy industry, will probably remain at extremely high levels, while the old bogey of inflation receives its strongest stimulus in many a year. Production of goods for military use has an economic effect decidedly similar to the outright giving away of printed money. It places additional money in circulation without adding a compensating amount of goods in circulation. Therefore the goods must become more valuable and the money less so. These considerations argue for a continuance of high dividend yields and the probability of rising stock prices as the public becomes psychologically attuned to the newest phase of the, now 36-year-old, struggle for the world.

Under the circumstances there are a few general ideas which come to mind concerning what the investor should and should not hold. In the *should not* category we should place all investment bonds except redeemable savings bonds, all investment preferred stocks, many public utility common stocks, and such industrial common stocks as are primarily held for stable income during periods of declining business activity. In the *should* category we place inflation hedges, heavy industrials, and war industries. If certain stocks qualify as all three, so much the better.

In conclusion, we consider the break of late June as an interruption, possibly of no more than minor importance, in the overall rising trend established in June, 1949. We think it quite likely that those investors who were astute enough a year ago to buy their General Motors and Youngstown Sheet in the low 60s or better, were probably aware of Russia's lack of friendship toward our nation. On the other hand the sudden shifting from one phase to another of our conflict is of unquestioned economic and therefore investment significance, which means that the reasons for buying and selling stocks will be different today from what they were three weeks or three months ago.

H. Grady Black With Courts & Company

ATLANTA, Ga.—Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange, announce that H. Grady Black, Jr. has become associated with them. Mr. Black was formerly with The Robinson-Humphrey Company and more recently with Morgan Stanley & Co. in New York.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BOULDER, Colo. — John S. Hopkins has joined the staff of Waddell & Reed, Inc., of Kansas City.

Waddell & Reed Add

(Special to THE FINANCIAL CHRONICLE)

FT. COLLINS, Colo.—Fred L. Hull is now connected with Waddell & Reed, Inc., of Kansas City, Mo.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Basic Strength Measurements—comprehensive appraisal of market position of 440 individual stocks — explanatory manual and six weeks' trial subscription $5.00 —Dept. C-3, Investors Research Company, Mihran Building, Santa Barbara, Calif.

Crude Oil Producers—analysis —H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Department Store Stocks—comparison of **May Department Stores, Federated Department Stores, and National Department Stores Corporation** — Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

Leading Banks and Trust Companies of New York—73rd consecutive quarterly comparison—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Oil Companies — Financial analysis of 30 oil companies for 1949 — Petroleum Department, The Chase National Bank of the City of New York, Pine Street corner of Nassau, New York 15, N. Y.

Over-the-Counter Index—Booklet showing an up-to-date comparison between the thirty listed industrial stocks used in the Dow-Jones Averages and the thirty-five over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over an eleven-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Quarterly Comparison and Analysis for 19 Leading New York City Bank Stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Railroad Equipment Trust Certificates—valuation and appraisal —Stroud & Company, Inc., 123 So. Broad Street, Philadelphia 9, Pa.

Also available is a valuation and appraisal of **City of Philadelphia Bonds.**

Railroad Income Bonds—leaflet —Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available is a leaflet on **Chesapeake & Ohio** and the **Alleghany Corp.**

Stocks To Be Purchased, War Or No War — list of interesting speculation ranging from low to high priced, and of blue chips—Bruns, Nordeman & Co., 321 Broadway, New York 7, N. Y.

Stocks Vulnerable — discussion of three important international and economic trends which could mean much lower prices for stocks in the near future—send $1 for current Bulletin and next 4 weekly issues on trial—Bondex Incorporated, 654 Madison Avenue, New York 21, N. Y.

* * *

Celanese Corp. of America—memorandum—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Also available is a memorandum on **Kelsey-Hayes Wheel Co.**

Central Vermont Public Service Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Chicago, Rock Island and Pacific Railroad — comprehensive analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Also available is an analysis of the current market situation.

Consolidated Natural Gas Co.—memorandum — Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Also available is a memorandum on **Electric Bond & Share.**

Cooper Bessemer Corporation—study — Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Dana Corp. — memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Also available are memoranda on **Doehler-Jarvis Corp.** and **Johnson & Johnson.**

Fleetwood-Airflow, Inc. — analysis — De Pasquale & Co., 25 Broad Street, New York 4, N. Y.

Foremost Dairies, Inc.—memorandum — Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa.

Flying Tiger Line, Inc.—analysis—Fahnestock & Co., 65 Broadway, New York 6, N. Y.

Heywood Wakefield Company—study—May & Gannon, Inc., 161 Devonshire Street, Boston 10, Mass.

Kelsey-Hayes Wheel Co. — memorandum—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

Lane Wells Co.—memorandum — Bache & Co., 36 Wall Street, New York 5, N. Y.

Lea Fabrics — information—Aetna Securities Corporation, 111 Broadway, New York 5, N. Y.

Also available is information on **Winters & Crampton, Plywood, Inc., Douglas & Lomason** and **Copeland Refrigeration.**

Mexican Railways — Analysis—Zippin & Co., 208 South La Salle Street, Chicago 4, Ill.

Mohawk Rubber Co. — memorandum—Wm. J. Mericka & Co., Union Commerce Building, Cleveland 14, and 150 Broadway, New York 7, N. Y.

Also available is a circular on **Bingham-Herbrand Corp.**

National Gas & Oil Corporation —analysis — Cohu & Co., 1 Wall Street, New York 5, N. Y.

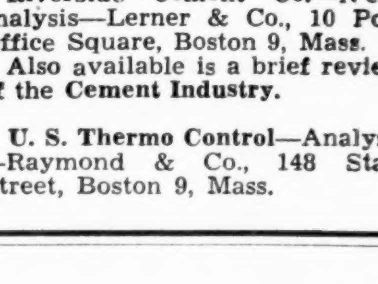
Nutrine Candy Co.—memorandum—Thomas E. King & Co., 39 South La Salle Street, Chicago 3, Ill.

Republic Natural Gas Co. — memorandum — First Southwest Co., Mercantile Bank Building, Dallas 1, Tex.

Riverside Cement Co.—New analysis—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Also available is a brief review of the Cement Industry.

U. S. Thermo Control—Analysis —Raymond & Co., 148 State Street, Boston 9, Mass.



Petroleum Industry— Egg or Chicken Itself?

By GAIL F. MOULTON*

Second Vice-President, Chase National Bank, New York

Mr. Moulton, in describing importance of U. S. petroleum industry, reveals its investment of $30 billion, providing employment for 2 million workers. Holds petroleum is not only cornerstone of our prosperity, but is fundamental to it, and warns unless oil producers are permitted to make profits and have capital to explore new development, prosperity may be curtailed. Says Federal Government now owns bulk of unexplored oil reserves, and cites failures in attempts at government operation.

For several decades the production and consumption of petroleum and its products in the United States, a country having about one-fourteenth of the population of the world, has been about twice that of the remainder of the world. Accordingly, it is appropriate to ask whether this enormous use of energy in various forms, and mainly to meet the individual desires of the average citizen, is the cause or the result of the greatest prosperity known in the history of the world. Nobody will deny that the petroleum and automobile industries, developed only in this country on so large a scale as to be used by nearly every man, woman and child, are at least the symbol of the greatness of our economic system, if not, indeed, its sire. All of us, partisans of the petroleum industry, and proud both of its achievements as well as our own contributions to its progress, will doubtless agree that an abundance of oil at low cost to the user for the past three to four decades has been the fundamental factor in the economic progress of our country. A similar group from another industry probably would have an equal feeling that theirs was the fundamental achievement which gave opportunity to the rest of us. Unfortunately, only in the natural sciences are rigorous and mathematical proofs possible, and like the classic argument as to whether the chicken came before or after the egg, the role of petroleum in the development of our economy cannot be demonstrated beyond doubt.

Gail F. Moulton

*An address by Mr. Moulton before the Rocky Mountain Oil and Gas Association, Cody, Wyoming, June 30, 1950. The opinions expressed are those of the author and do not necessarily present the opinion of The Chase National Bank.

We can concede doubts as to whether our great industry is the source or the product of our national prosperity, but we can have no doubt as to the importance of oil in maintaining our present status. Perhaps it is more worth our while here today to consider the past and future of our industry in the hope that we can determine the factors most important in its development and see whether they are involved in the social revolution now in progress both here and abroad.

It is interesting that economic literature contains many statements explaining mineral production in this country as the result of "unusual endowment of nature" thus establishing the United States as a most favored nation. Obviously, only the mineral deposits then exploited to a state of usefulness were in the minds of the authors of such statements. We know that in the case of oil and gas we have found many additional valuable deposits not suspected when it was determined that our endowment was rich, and we anticipate continuing discoveries. What then of the poorer "have-not" countries? Are they poor because there are no valuable deposits to discover, or are there vast mineral resources awaiting exploration discovery and exploitation by modern technology? These are geologic problems which my professional associates can approach with confidence.

Geologists and petroleum engineers have made estimates of the proven oil and gas reserves recoverable by production methods now in use for the producing fields of the world. Outside of Russia, data available permit reasonably close estimates. In addition to estimates of proven reserves, certain of my colleagues have attempted to estimate the probable ultimate production of oil by application of factors based on the volume and character of sedimentary rocks in general suitable for the accumulation of oil, and experience in portions of the United States where exploration of favorable areas is relatively complete. These estimates of probable ultimate oil production are a measure of informed geologic appraisal of the various countries and regions of the world, and in this discussion are called oil resources. The table, "Summary of Oil Production, Proved Reserves and Resources," is a compilation of the best available data and relates cumulative production to proved reserves and oil resources. Noteworthy items shown in the table relate the past production, proven reserves and resources of the United States to the rest of the world. Our country, with about one-fourth of the oil resources of the world, at the end of 1949 had accounted for about 63% of total world oil production and had in its producing fields about one-third of the proven oil reserves of the world. Here about 57% of the oil resources have been discovered, as contrasted with the discovery of about 10% of the oil resources of foreign countries. Further, we note that the Middle East has proven reserves substantially greater than ours. These reserves were discovered as the result of the drilling of a few hundred wildcat wells. In our country, during 1949, nearly 4,500 new field wildcat wells were drilled, resulting in 506 discoveries. A total of over 9,000 exploratory wells drilled in the United States during 1949 provided new reserves of about 2.5 billion barrels according to American Petroleum Institute estimates. In some other countries similar additions to reserves have been made during the past few years by the drilling of less than 100 wells. These data explode the myth of superior endowment by nature more violently than a hydrogen bomb!

Perhaps a moment of consideration of the situation of Russ[ia] will serve to illustrate my poi[nt] even more clearly. Whereas the resources of this vast count[ry] are estimated as being materiall[y] greater than those of the Unite[d] States, current rates of produc[tion] and proven reserves of o[il] are believed to be comparable with those of the State of Cal[i]fornia. There is a lesson for a[ll] of us in this contrast, for it i[s] my opinion that the basic difference between that country an[d] ours explains our preeminence i[n] oil production as well as in our level of prosperity — it is no[t] merely a difference in our languages.

Chicken or Egg?

Whether the petroleum industry is the golden egg laid by th[e] chicken of our prosperity, or the chicken itself, there can be littl[e] doubt that the economic succes[s] of the country is the result of a favorable political and social climate combined with the determination and resourcefulness of its citizens. With respect to the petroleum industry, there can be little doubt that its early and continuing growth in this country is founded on the private ownership of land, including minerals beneath the surface, the right of these owners to make contracts for mineral exploration and development with whomever they chose, and the right of other individuals, either alone or in groups, to speculate in petroleum exploration with resources which they had accumulated. Althoug[h] probably wasteful, the early unrestricted production of oil permitted the rapid return of speculative capital and provided important accumulation of capita[l] with which to undertaken sim-

Continued on page 2[5]

Truslow Explains Investment Function

President of New York Curb Exchange in transcribed radio program says investment process is fundamental to our economy, but is threatened by "erosion of its banks" through growth of statism.

On the transcribed radio program entitled "Americans, Speak Up!" released for the week of July 9 to more than 100 radio stations in leading cities of the nation, Francis Adams Truslow, President of the Curb Exchange, discussed the conflict which divides the world today, and in the course of his talk asserted that the investment process is fundamental to our American economy since it is the process of working, earning, saving and then putting the savings to work again.

Francis A. Truslow

"The fundamental conflict in the world" he said, "is over this question: Whether you and I and everybody, as individuals, shall be permitted to select the work that we will do, manage the earnings that our work produces, determine what part we shall save, and how we shall put our savings to work for us—or whether we shall be compelled to surrender these powers of choice to some super organization of a few men called The State."

When questioned by interviewer Bill Slater about the dangers to our American productive process, Mr. Truslow likened the greatest dangers to the gentle erosion that undermines the banks of a stream. "Taxation," he said, "is an example of erosion. Of course, taxation is a result not a cause. We should fear taxation but center our attack on the spending which generates it. If we tolerate extravagance and waste, and borrow instead of taxing ourselves to pay our debts, then our money loses its value and our earnings and savings disappear through the monstrous fraud of inflation.

Asked by Mr. Slater what other things we should fear, Mr. Truslow replied: "Ignorance—of what makes our system work. Ignorance—of the wage earner who is led blindly to demand more pay for less work until he destroys his employer—and his own job. Ignorance — of the statesman who doesn't realize that he is spending and taxing the system to death. And the citizen who doesn't realize that his demands for cradle-to-grave security can lose his freedom and gain him no security. And men of greed and arrogance who profit, temporarily, by creating dissension and ignorant distrust of our system.

In response to Bill Slater's question regarding what it will take to meet the dangers we must face, the securities market head said: "First, we must rekindle the flame that lighted our liberty—the passionate belief that man as an individual—not the State—is supreme. And then we must have courage and steadfast determination not to lose our freedom by direct assault or through the creeping paralysis of compromise. We must submerge our selfish, penywise fears lest we lose the greatest of all treasures—freedom."

[Th]is announcement appears as a matter of record only and is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities. The offering is made only by the Prospectus.

NEW ISSUES

Panhandle Eastern Pipe Line Company

$20,000,000

2¾% Debentures due 1975

Dated June 1, 1950 **Due June 1, 1975**

Price 99.11% and accrued interest

$15,000,000

2¾% Serial Debentures

(due $1,500,000 each June 1, 1953 through 1962)

Dated June 1, 1950 **Due June 1, 1953-62**

Amount	Due	Yield	Amount	Due	Yield
$1,500,000	1953	1.85%	$1,500,000	1958	2.40%
1,500,000	1954	1.95	1,500,000	1959	2.50
1,500,000	1955	2.05	1,500,000	1960	2.60
1,500,000	1956	2.20	1,500,000	1961	2.625
1,500,000	1957	2.30	1,500,000	1962	2.65

Copies of the Prospectus may be obtained in any State in which this announcement is circulated from only such of the underwriters, including the undersigned, as may legally offer these securities in such State.

Kidder, Peabody & Co. Merrill Lynch, Pierce, Fenner & Beane Halsey, Stuart & Co. Inc.

July 12, 1950.

COMING EVENTS
In Investment Field

July 21, 1950 (Portland, Ore.)
Portland Investment Bond Club annual summer outing at Mt. Hood Golf Club.

Sept. 8-9, 1950 (Portland, Ore.)
Pacific Northwest Group of the Investment Bankers Association annual meeting at Gearhart Hotel, Gearhart-by-the-Sea, Ore.

Sept. 15, 1950 (Philadelphia, Pa.)
Bond Club of Philadelphia Field Day at the Manufacturers Country Club.

Sept. 26-30, 1950 (Virginia Beach, Va.)
National Security Traders Association Annual Convention at the Cavalier Hotel.

Oct. 12, 1950 (Dallas, Tex.)
Dallas Bond Club Annual Fall Meeting.

Nov. 26-Dec. 1, 1950 (Hollywood, Fla.)
Investment Bankers Association annual convention at the Hollywood Beach Hotel.

Dec. 8, 1950 (New York City)
New York Security Dealers Association Silver Anniversary Dinner at the Waldorf Astoria Hotel (Starlight Roof).

Joins Merrill Lynch Staff
(Special to THE FINANCIAL CHRONICLE)

SAVANNAH, Ga.—Herschel E. Futral, Jr. is now connected with Merrill Lynch, Pierce, Fenner & Beane, 32 Drayton Street.

We solicit inquiries in
E. & G. Brooke Iron
Riverside Metal
American Pulley
A. B. Farquhar
Houdry Process
General Manifold & Printing
HERBERT H. BLIZZARD & CO.
1421 CHESTNUT STREET
LOcust 7-6619

Pennsylvania Water & Power Co.
Common Stock
Currently yielding 6%
Free of Penna. Personal Property Tax
Memorandum on Request
BOENNING & CO.
Philadelphia 3, Pa.

Cambridge Bldg. 3s 1953
Leeds & Lippincott $3\frac{1}{2}$s 1952
Leeds & Lippincott Units
Pratt Read Co., Common
Phila. Transportation Co. Issues
Central RR. of N. J. Int. Ctfs.
Samuel K. Phillips & Co.
Members Phila.-Balt. Stock Exchange
Packard Bldg. Philadelphia
Teletype PH 375 N. Y. Phone COrtlandt 7-6814

Pennsylvania Brevities

Homestretch for Pittsburgh Rys.

After 12 years of operation under the direction of Reorganization Trustees, the complicated and entangled transportation system serving the metropolitan district of Pittsburgh and adjacent suburban areas is about to emerge as a single, fully integrated operating company with a simple capital structure. Present unification proceedings will eliminate 52 separate corporate entities and the maze of leases, subleases, guarantees and criss-crossed stock ownership by which the component companies are bound together.

At one time in its history, the system was composed of some 200 companies joined by an even more elaborate complication of inter-company security holdings, or leases, or both. Some progress toward simplification was achieved in a former period of receivership, from 1918 to 1924, but the job was not completed. For almost 50 years, physical properties and pooled equipment have been efficiently operated on a unified basis, but the continued existence of underlying "ghost" companies, each insistent upon its full contractual rights, resulted in a second period of receivership, beginning in 1938, which could only terminate in a complete and thorough corporate overhaul.

Compromises Indicated

The present plan, which has been approved by the SEC, the U. S. District Court for Western Pennsylvania and the Pennsylvania Public Utility Commission as "fair and equitable," represents the surmounting of really formidable difficulties, including a round trip to the U. S. Supreme Court. Foremost was the question of jurisdiction over the underlying companies, most of which "stood pat" on their corporate rights. It was not until 1946, after years of bitter argument and recrimination, that the U. S. Court of Appeals rather arbitrarily ruled that "public necessity" and "many years of factual unity" overrode the arguments for the recognition of the legal concept of separate entity. An application to the Supreme Court to review the decision was denied.

A second difficult problem was posed by the position of Philadelphia Company, controlling Pittsburgh Railways Co. through 100% stock ownership. Claims of Philadelphia Company against Pittsburgh Railways Co. and underlying companies aggregated something over $80,000,000. Besides its ownership of Pittsburgh Railways Co. stock, Philadelphia Company had acquired, over a period of years and by various means, ownership of approximately two-thirds of all outstanding system securities. Public holders held that Philadelphia Company claims should be subordinated, a theory that Philadelphia Company stubbornly rejected. Certain well-organized groups of public holders probed deeply into the alleged self-interest with which Philadelphia Company had directed the affairs of Pittsburgh Railways in past years. It was apparent that such charges could be resolved, if at all, only after an innumerable series of individual court actions which would defer the consummation of any reorganization plan indefinitely.

As a practicable solution, Philadelphia Company agreed to accept common stock control of the new company (50.9%) and a release of its guarantees in full settlement of its claims.

The plan provides that holders of securities guaranteed by Philadelphia Company be paid off in cash. Public holders of unguaranteed bonds are asked to accept par (part in cash and part in new 5% bonds) plus varying amounts of new common stock. Public holders of system stocks are scheduled to receive $5 per share in cash plus 4.2 shares of new common for each $50 of par value. It is admitted that the plan fails to differentiate between certain statistical values that might be alleged to exist in favor of one security against another, but it is conceded that the overall treatment is realistic and can be consummated.

Final Steps

Elmer E. Bauer, Reorganization Trustee, has mailed ballots to all known public securities holders returnable to him by July 7. On each ballot, holders are asked to designate securities owned and to vote for or against the plan. Overwhelming acceptance is anticipated.

Following tabulation of the ballots, the SEC has scheduled a hearing in Washington on July 20 for what may be described as a gathering up of the loose ends preparatory to issuance of an effectuating order. Matters to be determined include:

Whether more cash than the $17,000,000 minimum provided for under the plan is available for distribution.

Whether the amount of new bonds to be issued under the plan shall be less than the $6,000,000 provided for under the plan and when interest on the new bonds shall begin to accrue.

Whether accounting entries to be made by the new company and Philadelphia Company are appropriate and proper.

Whether and in what amounts fees and expenses, paid or sought for in connection with the proceedings, should be approved and allocated.

Whether any requested tax recitals are proper and appropriate.

Whether the terms, provisions and conditions contained in the proposed trust indenture, charter and by-laws of the new company are appropriate.

The SEC order reserves the right to separate, for hearing or disposition, any of the questions or issues set forth and to take such action as may appear conducive to orderly, prompt and economical disposition.

And Then?

Consummation of the Pittsburgh Railways plan, as proposed, is expected. This, however, as noted, will leave control of the new company in the hands of Philadelphia Company which is already under a previous SEC order to divest itself of its gas and transportation properties under the Holding Company Act. Thus Philadelphia Company's control of the new transportation company must be regarded as a necessary but temporary expedient. What is to be the outcome? Unless the divestment order is rescinded, Philadelphia Company, within a reasonable time, must dispose of its transportation company stock. This might be accomplished by a distribution to Philadelphia Company stockholders or by the sale of the property. In the latter event, experts point to the City of Pittsburgh as the logical buyer. Pro forma, assets of the new company are equivalent to about $40 per share book value for the new common stock. If the City of Pittsburgh could buy the company for $20 to $25 per share and operate it free of the burden of the corporate income taxes, it could well be a profitable undertaking. Based on the current market prices of system securities, the new company common stock, not yet traded, has an indicated value of between 7 and 8.

* * *

About Face for P. T. C. Union

PHILADELPHIA—A paralyzing strike ordered against the Philadelphia Transportation Co., which was to have become effective last Saturday, didn't come off and New York's one-man task force, Michael J. Quill, international president of the Transport Workers Union (CIO), has retired in confusion and silence, leaving Andrew J. Kaelin, president of the local union, to save face as best he may.

Spurred to hasty action by unanimous public antipathy and by two court suits, one instigated by the P. T. C. for breach of contract and the other by insurgents within the union membership itself, Kaelin promptly reopened negotiations and arrived at an "agreement" which rescinded the strike order before even a rank and file vote could be taken.

The facts, briefly, were these: On Feb. 11, the company and the union signed an agreement which prohibited any strike action for one year.

Last month, as an economy measure by which the company hopes to save about $38,000, it was announced that one-man trolley operations would be instituted on 11 Saturdays, starting July 1, on 14 routes. The company pointed out that banks, insurance companies and many business enterprises were closed Saturdays during the summer and that one-man operation of certain routes would entail no curtailment of service to the public. Moreover, no P. T. C. employees were to be laid off and any specific "hardship" cases would be adjusted individually.

Quill and Kaelin maintained that there was no mention of one-man trolley operation in the agreement reached last February and that the proposal therefore represented a breach of contract by the P. T. C. Strike action was "authorized" at a hastily called union meeting at which fewer than 2,000 of the more than 10,000 union members were present. Quill walked out of a meeting called in an attempt at negotiating differences, leaving the strike date set as scheduled.

The company countered by filing suit against the union charging it with a flat violation of the "no strike" clause and was unexpectedly supported by an insurgent union group which filed suit against Kaelin and other leaders for violation of the union constitution.

Holding that operational matters are strictly the function of management, the press and the public sided overwhelmingly with the company. Kaelin, without further assistance or interference from Quill, was left to pull his chestnuts out of the fire. He quickly same to terms with the company, obtaining a concession lopping off one Saturday from the proposed one-man trolley operations schedule. It is believed he set a local record for back-pedaling.

* * *

Penna. Pwr. & Lt. Marks Growth

ALLENTOWN—Late last month Pennsylvania Power & Light Co. dedicated the opening of its 150,000 kilowatt steam generating station at Shamokin Dam, near Sunbury, the largest anthracite-fired installation of its type in the world. An additional 100,000 kilowatt plant is under construction, scheduled for completion in 1951.

The units, which will cost something over $60,000,000, are important segments of the company's postwar expansion program, expenditures for which are scheduled to total $165,000,000 through 1952.

According to Charles E. Oakes, company President, the greater part of Pennsylvania Power & Light's construction program and the necessary financing therefor has been provided. Some $57,000,000 has been raised through the sale of $2\frac{3}{4}$% bonds, $15,000,000 of preferred stock and $13,000,000 of common. Balance has been taken from retained earnings and depreciation reserves.

Normal growth requirements are stimated to necessitate the addition of about 100,000 kilowatt generating capacity every three years. It is expected that the company will continue to spend from $20,000,000 to $30,000,000 annually for new construction without necessity for further debt financing.

Benefit of capital improvements already in operation are clearly apparent. Total revenues of $70,010,000 recorded in 1949 were at a new high record, 6% greater than in 1948. Current revenues are reported to be running about 10% ahead of last year and may reach $77,000,000 for 1950.

Pennsylvania Power & Light recently raised its common dividend rate to $1.60 annually. With 1950 earnings estimated at $2.50 per share, "or more," a further dividend increase is regarded as a distinct possibility.

* * *

U. G. I. Under Fire

A group of New York and Connecticut holders of United Gas Improvement Co. common stock, aggregating ownership of about 10,000 shares, has petitioned the SEC to order the company to divest itself of non-integrated assets, including some $20,000,000

Valuations and Appraisals
Railroad Equipment Trust Certificates
City of Philadelphia Bonds
as of June 30, 1950
Our current publications will be sent on request. Please mention which group—or both.
STROUD & COMPANY
Incorporated
PHILADELPHIA 9
ALLENTOWN • PITTSBURGH NEW YORK SCRANTON • LANCASTER

in securities of other utility companies.

Principal properties which the petitioning group seek to have divorced are the Luzerne County Gas & Elec. Corp., the Delaware Coach Co. and the Utilities Realty Co., the latter company owning the Philadelphia office building which the U. G. I. partly occupies.

Not involved in the action are Philadelphia Gas Works, Allentown-Bethlehem Gas Co., Consumers Gas Co. of Reading, Harrisburg Gas Co., Lancaster County Gas Co. and Lebanon Valley Gas Co.

* * *

Philco Corp.

Some 1,200 distributors and 5,000 dealers, attending Philco Corp.'s largest national sales convention in company's history, held at Atlantic City last month, were told that total sales of all products for 1950 would likely attain a record volume of $300,000,000. Last year's sales were $214,884,306.

Company aims for the production of 1,000,000 television sets this year and plans to spend $25,000,000 for promotion of sales and advertising this line.

* * *

Despite adverse effects of strikes in the coal and other industries early in the year and the severe curtailment in traffic due to the firemen's strike in May, Pennsylvania Railroad may be able to show black figures for the first six months of 1950. The railroad credited itself with a $3,590,168 adjustment in tax reserves in May, reflecting part of an over-accrual charged in prior years. In addition, June business was reported as better than in any month since last December.

* * *

Effective July 17, James Lees & Sons, Philadelphia, carpet manufacturers, announce an increase of 5% in the price of wool carpets, the fourth advance this year. Boost is attributed to the higher cost of raw wool.

* * *

U. S. Steel Products Co., a subsidiary of U. S. Steel, will begin modernization of its plant at Sharon, Pa., early this month.

* * *

Negotiations for the sale of Erie Forge Co. and its subsidiary, Erie Forge & Steel Co., to New York interests are reported under way.

* * *

Directors of Pennsylvania Salt Co. have indicated intention of maintaining a dividend rate of 40 cents per share on the common for the first three quarters with anticipation of a larger fourth period dividend "if profits and other financial conditions make this possible." Stockholders may expect a distribution of $2 this year, compared with $1.80 in 1949.

McDonnell Expands Trading Dept.

McDonnell & Co., 120 Broadway, New York City, members of the New York Stock Exchange, have greatly expanded the facilities of their trading department. The firm acts as stock brokers, participating distributors and dealers in bonds and unlisted securities and mutual funds shares, specializing in rights and scrips and reorganization securities.

In announcing the expansion the firm declared its belief in the future of the United States and the securities business.

With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

HOLLYWOOD, Calif.—William M. McCauley has become affiliated with Merrill Lynch, Pierce, Fenner & Beane, 6361 Hollywood Boulevard.

NSTA Notes

TRAIN SCHEDULES FOR NSTA CONVENTION

The National Security Traders Association is announcing the rates and the schedules for special trains for the Convention to be held Sept. 26-30 at the Cavalier Hotel, Virginia Beach, Va.

The Special Train enroute to the National Security Traders Association Convention at Virginia Beach will leave Chicago, Union Station at 3:40 p.m. Sunday Sept. 24. Special Cars will leave New York and Philadelphia late Sunday evening arriving Washington Monday morning. All Baggage and Personal effects may be left in the Pullmans while in Washington on Monday, but Pullmans will not be available for occupancy during the day.

Chartered Buses will leave Washington Union Station Monday at 9:15 a.m. for a Tour of the Residential and Business Sections. This will include a stop at the Capitol, Smithsonian Institute and Lincoln Memorial, also visiting Arlington Cemetery and Tomb of the Unknown Soldier.

Luncheon will be served at the Commonwealth Club, Alexandria and following Luncheon we will visit the George Washington Memorial and Mount Vernon returning to the Kenwood Golf and Country Club for Dinner.

Following Dinner the group will return to Washington by Chartered Bus and the Special Train will be ready for occupancy at 10:00 p.m. and will leave at 2:30 a.m. Tuesday morning arriving Norfolk at 7:45 a.m. Immediately upon arrival our party will be driven in Special Buses to The Cavalier for Breakfast.

Returning

Buses will leave The Cavalier at 11:30 p.m. Saturday, Sept. 30 and the Special Train will leave Norfolk at 12:30 a.m. Sunday Oct. 1 arriving Washington early in the morning, Philadelphia at 9:17 a.m. and New York at 10:55 a.m. Those going to Pittsburgh and other points west will leave Washington Sunday at 1:10 p.m. arriving Pittsburgh 9:10 p.m. and Cincinnati, Detroit, St. Louis and Chicago Monday morning, Oct. 2.

The cost of Each Tour includes Round Trip Rail and Pullman including Federal Taxes, Meals on the Train as Specified, Sightseeing, Luncheon and Dinner in Washington and transfer of individuals and baggage between Norfolk Terminal and The Cavalier Hotel, Virginia Beach.

Hotel Rooms at The Cavalier and gratuities are not included.

All Expense Tour Rate to Virginia Beach and Return, Including Rail Tickets, and All Taxes Via Complete Tour

From	Two in Bedroom Each	One in Roomette	One in Duplex	Two in Compt. Each	Two in Dr. Rm. Each
Chicago	$134.10	$140.78	$145.32	$141.18	$152.05
Cincinnati	118.17	123.40	126.69	123.29	132.14
*Cleveland	89.96	93.35	95.60	93.29	99.27
Detroit	108.91	114.14	117.43	114.03	122.88
New York	73.84	78.26	81.25	78.49	85.73
Philadelphia . . .	63.11	66.96	69.49	66.95	73.92
Pittsburgh	85.16	89.24	91.78	89.19	95.91

*Cleveland rate quoted to leave Washington Oct. 1, 8:10 a. m. Arrive Cleveland 7:50 p. m. Rates to and from intermediate points quoted upon request.

The All Expense Tour Rate Chicago to Virginia Beach and return. Railroad Ticket not included.

Two in Bedroom Each	One in Roomette	One in Duplex	Two in Compt. Each	Two in Dr. Rm. Each
$54.75	$61.43	$65.97	$61.83	$72.70

Between Washington and Virginia Beach and Return

Including Sightseeing, Luncheon and Dinner in Washington. Pullman and transfer from train to The Cavalier.

	Two in Bedroom Each	One in Roomette	Two in Compt. Each	Dr. Rm. Each
Including Rail Ticket . . .	$40.15	$42.45	$42.33	$46.59
Without Rail Ticket	22.86	25.16	25.04	29.30

Round Trip Railroad Fares from Principal Points to Norfolk shown below. Federal Taxes included.

Boston, Mass.	$ 66.27	Los Angeles, Calif. .	$206.00
Chicago, Ill.	79.35	New York, N. Y. . .	40.40
†Cincinnati, Ohio . .	72.57	Philadelphia, Pa. . .	31.11
Cleveland, Ohio . . .	55.78	Pittsburgh, Pa. . .	46.06
Denver, Colo. . . .	148.81	‡St. Louis, Mo. . . .	98.96
Detroit, Mich. . . .	63.31	San Francisco, Calif.	206.00
Kansas City, Mo. . .	110.17	Twin Cities, Minn. .	106.66

†Via Pittsburgh in both directions. ‡Via Chicago in both directions or returning via Pittsburgh and Columbus.

Detailed Tour Schedule

FROM THE WEST

Sunday September 24, 1950

3:40 p.m.	Leave Chicago Dinner on Train	Penna. RR.
5:15 p.m.	Leave Cincinnati	Penna. RR.
5:40 p.m.	Leave Detroit	Penna. RR.
8.40 p.m.	Leave Cleveland	Penna. RR.

Monday, September 25,

12:41 p.m.	Leave Pittsburgh Breakfast on Train	Penna. RR.
8:35 a.m.	Arrive Washington	Penna. RR.

Sunday, September 24

FROM THE EAST

8:00 p.m.	Leave New York	Penna. RR.

Monday, September 25

2:00 a.m.	Leave Philadelphia	Penna. RR.

Pullmans open 10 p.m.

6:00 a.m.	Arrive Washington	Penna. RR.

Tuesday, September 26

2:30 a.m.	Leave Washington	R. F. & P. RR.
7:45 a.m.	Arrive Norfolk	Norf. & W. RR.
8:45 a.m.	Arrive Cavalier Hotel	Norf. & Sou. Bus.

RETURNING

Saturday, September 30

11:30 p.m.	Leave Cavalier Hotel	Norf. & Sou. Bus.

Sunday, October 1

12:30 a.m.	Leave Norfolk	Norf. & W. RR.
6:00 a.m.	Arrive Washington	R. F. & P. RR.
9:17 a.m.	Arrive Philadelphia	Penna. RR.
10:55 a.m.	Arrive New York Breakfast served enroute to Philadelphia and New York	Penna. RR.
1:10 p.m.	Leave Washington	Penna. RR.
9:10 p.m.	Arrive Pittsburgh Luncheon and Dinner on Train Leave Washington 8:10 a.m. Arrive Cleveland 7:50 p.m.	Penna. RR.

Monday, October 2

7:10 a.m.	Arrive Chicago	Penna. RR.
7:20 a.m.	Arrive Cincinnati	Penna. RR.
7:40 a.m.	Arrive Detroit	Penna. RR.
8:10 a.m.	Arrive St. Louis	Penna. RR.

For further information those planning to attend the convention should contact Herbert H. Blizzard, Herbert H. Blizzard & Co., Philadelphia; Walter F. Saunders, Dominion Securities Corp., New York City; or Edward H. Welch, Sincere & Co., Chicago, Ill.

AD LIBBING

Introducing two more outstanding members of our 1950 NSTA Advertising Committee:

Hubert Bernard, Jr., of Schirmer, Atherton & Co., Boston, who is also President of the Boston Securities Traders Association.

H. N. Bernard, Jr.

My compliments to you for your ready acceptance to serve with us. With an expected large attendance from New England at Virginia Beach for our National Convention in September, our yearbook and convention issue of the "Commercial and Financial Chronicle" should carry many ads of our members who make fundamental markets which will make this number more valuable to advertisers and readers alike.

Albert M. McCready of Geyer & Co., Los Angeles, is Chairman of the NSTA Advertising Committee representing our Los Angeles affiliate. Al has served with us before and he always seems to find some time to do a job for us. Los Angeles will be well accounted for by ads in the Convention issue. Only yesterday Al requested more contracts through his New York office. Looks like Sept. 10 will be the deadline. Many thanks, Al!

May we, the Committee, again thank Lou Walker of the National Quotation Bureau for his authorization for a half page. This appears to be the largest ad received to date and we do want to recognize Lou, an old-time tested friend and member.

Perry Brown of New Orleans acknowledged our letter of June 22 by saying he had already forwarded copy for his ad. Our former National Presidents never seem to lose interest in the National Association. See you in September, Perry.

Henry Isaacs of Virginia Securities Co., Norfolk, Va., sure has proved his ability to solicit advertising. It seems a shame that Hank does not have an affiliate membership because his gross to date is greater than many quotas. Swell job, Hank! You should do better than $500.

Had a fine visit the other day with Charles Mountcastle (Monty), formerly with J. F. Reilly & Co. He never can get the "Street" out of his blood, so when you are using Freeport's great fishing center call on Monty at South Grove Street, Freeport. He will be glad to see you.

HAROLD B. SMITH, Chairman
NSTA Advertising Committee
Pershing & Co.
120 Broadway, New York 5, N. Y.

This announcement is neither an offer to sell, nor a solicitation of offers to buy any of these shares. The offering is made only by Prospectus.

480,000 Shares

American Cladmetals Company

(A Pennsylvania Corporation)

Common Stock

(Par Value $1.00)

Price $1.50 Per Share

Copies of the Prospectus may be obtained from the undersigned

UNDERWRITERS

Graham & Company
313 Sixth Avenue
Pittsburgh 22, Pa.
Telephone: ATlantic 1-7380

Graham, Ross & Co., Inc.
82 Beaver Street
New York 5, N. Y.
Telephone: DIgby 4-2946

LETTER TO THE EDITOR:

Former U. S. Interest in Korea

Robin L. Winkler points out from 1883 to 1905 American capital was predominant in economic development of the erstwhile Hermit Kingdom.

Editor, Commercial and Financial Chronicle:

The almost unanimous support which the American people have given the U. N. resolution calling for all-out aid to the Republic of Korea against the North Korean invaders represents a continuation of America's attitude toward that peninsular state. Korea occupies an extremely significant position in the Far East. Support of Korea has, historically, meant the maintenance of American interest in Asia. When this support is removed, American interest will decline. Today, especially, we cannot afford any diminution of American importance in Asia.

Robin L. Winkler

After the establishment of treaty relations with the Kingdom of Korea in 1883, American investors entered the land so long described as the Hermit Kingdom. American money built the first water supply works in Korea; American capital constructed the first electric light system there; American money backed the first railroad in the little Kingdom, from Seoul to Inchon (the harbor); the first trolley car line in Korea was built and operated with American capital and American engineers. All these investments and more, were made between 1883 and 1905.

In 1905 American policy regarding Korea began to change. The Treaty of Portsmouth, although signed in the United States, ended the Russo-Japanese War, and recognized Japanese supremacy in Korea by the belligerent powers. Two years later the United States was to recognize Japan's paramount position there.

Since that time, with but minor exceptions, American investments and interests in Korea dwindled to almost nothing. And with this decrease in American interest, Japan rose to be the first power in the East. Japan took over Korea and made it an imperial province in 1910. The United States cordially recognized the new state of affairs.

As long as support of Korea by the United States continued, American interests in Asia were secure. But as soon as this interest was removed, American power in Asia was gradually replaced by that of the Japanese.

Today the Soviet Union is rapidly becoming the first power of the East. Once again the question has been raised: Is Korea of importance to American interest? That Korea is of great importance to the upholding of American prestige in Asia is undeniable.

Korea is not a rich land. But its strategic significance is great in Asia. Especially now, with the peninsula bordering the Maritime Province of the Soviet Union and Red China at one end, and pointing into the islands of Japan in the south, Korea is, alone, in the position of acting as a buffer between the power structure of Russia and the power structure of the United States.

Traditionally Korea has looked to the United States as a model and guide. Despite the fact that America has failed her on several occasions, Koreans continue to favor the United States before all other powers. Of this we must make the most.

It would be highly desirable if a concrete postwar program in respect of Korea could be evolved today and put into effect after the successful intervention in the present unfortunate and entirely unwarranted conflict between North and South. This plan should comprise:

(1) Continuation of American aid to Korea;

(2) Appointment of American agricultural, economic and political advisors to Korea;

(3) Creation by the United States of scholarships for Koreans to study in this country; and,

(4) Guarantee of, and safeguard for American private investments in Korea, under Point Four of President Truman's general foreign aid program.

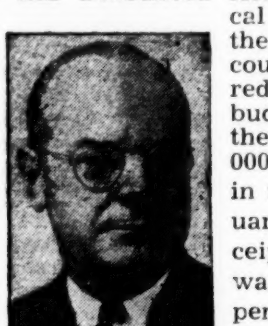
ROBIN L. WINKLER
270 Riverside Drive
New York 25, N. Y.
July 8, 1950

EDITOR'S NOTE—Mr. Winkler is Consultant to the Library of Congress on Korea.

Snyder Reports on Fiscal Year Results

Treasury Secretary announces revenue receipts at $37,045 millions compared with $38,246 millions in previous year. Expenditures slightly higher, resulting in 1950 fiscal year deficit of $3,122 millions.

In a statement on budget results for the fiscal year ended June 30, 1950, Secretary of the Treasury Snyder has announced that expenditures of the United States Government amounted to $40,167,000,000 as compared with $40,057,000,000 in the previous fiscal year. Net receipts for the year just ended amounted to $37,045,000,000 as compared with net receipts of $38,246,000,000 for the fiscal year 1949.



John W. Snyder

The budget deficit for the fiscal year 1950 amounted to $3,122,000,000 as compared with a deficit of $1,811,000,000 for the fiscal year 1949. This increase in the deficit of $1,311,000,000 is accounted for almost entirely by the reduction of $1,201,000,000 in net budget receipts. The deficit for the fiscal year 1950 is $2,411,000,000 less than the deficit estimated in the President's budget in January. Both expenditures and receipts for 1950 were lower than was estimated in January—expenditures by $3,130,000,000, and receipts by $718,000,000.

A comparison of budget results for the fiscal year 1950 with similar data for 1949 is shown in the table below (in millions):

	Fiscal Year 1950	Fiscal Year 1949	Change, 1950 compared with 1949
Expenditures	$40,167	$40,057	+$110
Net receipts	37,045	38,246	—1,201
Deficit	3,122	1,811	+1,311

The gross public debt on June 30, 1950 amounted to $257,357,000,000, an increase of $4,587,000,000 during the year. The change during the year was accounted for primarily by increases in Treasury savings notes and United States savings bonds; marketable debt increased by only $172,000,000. Special issues to government trust funds and investment accounts decreased $420,000,000 during the fiscal year 1950 as compared with an increase of $2,564,000,000 in 1949. The decrease in 1950 was due to redemptions of special issues held by the National Service Life Insurance Fund in connection with payment of special dividends amounting to $2,633,000,000 during the year just ended. A comparison of the changes during the fiscal years 1949 and 1950 in the various classes of the public debt is shown in the attached table.

The increase of $4,587,000,000 in the public debt reconciles with the budget deficit in the following way (in millions):

Budget deficit	$3,122
Less excess of receipts in trust accounts, etc.*	582
Subtotal	2,540
Increase in General Fund balance	2,047
Total increase in the public debt	$4,587

*Takes into account the clearing account for outstanding checks, interest coupons, and telegraphic reports from Federal Reserve Banks.

Secretary Snyder said that this summary statement is being released prior to the publication of detailed information in the June 30, 1950 issue of the Daily Treasury Statement, which was available in printed form on July 5.

REPORT OF CONDITION OF
THE CORPORATION TRUST COMPANY

of 120 Broadway, New York 6, New York, at the close of business on June 30, 1950, published in accordance with a call made by the Superintendent of Banks pursuant to the provisions of the Banking Law of the State of New York.

ASSETS

Cash, balances with other banking institutions, including reserve balances, and cash items in process of collection	$1,275,309.40
United States Government obligations, direct and guaranteed	419,656.80
Obligations of States and political subdivisions	50,562.14
Corporate stocks	60,000.00
Banking premises owned, None; furniture and fixtures	133,891.57
Other assets	311,025.30
TOTAL ASSETS	$2,250,465.21

LIABILITIES

Demand deposits of individuals, partnerships, and corporations	$1[illegible]9,877.[illegible]8
Other liabilities	1,062,623.48
TOTAL LIABILITIES (not including subordinated obligations shown below)	$1,192,500.70

CAPITAL ACCOUNTS

Capital†	$500,000.00
Surplus fund	325,000.00
Undivided profits	232,964.45
TOTAL CAPITAL ACCOUNTS	$1,057,964.45
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	$2,250,465.21

†This institution's capital consists of common stock with total par value of $500,000.00.

MEMORANDA

Assets pledged or assigned to secure liabilities and for other purposes	$101,178.94
Securities as shown above are after deduction of reserves of	8,[illegible]

I, Charles J. Skinner, Treasurer of the above-named institution, hereby certify that the above statement is true to the best of my knowledge and belief.

Correct—Attest:

CHARLES J. SKINNER, Treasurer.
OAKLEIGH L. THORNE,
NORMAN J. [illegible],
RAYMOND NEWMAN
Directors.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

Reports of New York City banks for the six months ended June 30 were generally favorable in comparison with those of 1949. In a number of instances a good increase in net income was revealed by the publication of results last week.

Deposits also showed an upward trend primarily because of deficit financing operations of the Treasury during the past 12 months. Most institutions showed some increase in deposit totals from those published on March 31.

The per share earnings reported for the first six months of the current period compared with those of 1949 are shown below. In the case of some banks such as Bankers Trust, Chase and Guaranty, reported earnings also include security profits. For Central Hanover, Bank of N. Y. & Fifth Ave. and U. S. Trust, the earnings shown are those indicated by changes in the statements of undivided profits during the period. For the other banks, the figures shown are the operating earnings.

In the same tabulation deposit totals are compared with those of March 31 of this year.

	Per Share Earnings 6 Mos. to June 30 1950	1949	Deposits as of June 30 1950	March 31 1950
			(000s Omitted)	
Bank of Manhattan	$1.21	$1.00	$1,069,344	$1,042,607
Bank of N. Y. & Fifth Ave.	†10.62	†9.27	396,005	369,523
Bankers Trust	1.33	1.31	1,338,751	1,348,036
Central Hanover	†3.00	†3.00	1,399,854	1,304,930
Chase National	1.39	1.23	4,298,937	4,224,990
Chemical Bank	1.42	1.42	1,390,485	1,340,032
Commercial National	1.44	1.64	183,461	169,945
Corn Exchange	2.69	2.56	742,473	740,470
First National	40.36	37.38	627,936	575,531
Guaranty Trust	9.40	9.40	2,335,397	2,189,814
Irving Trust	0.70	0.67	1,068,962	976,919
Manufacturers Trust	2.55	2.33	2,100,794	2,128,289
*National City	1.69	1.62	4,688,598	4,622,011
New York Trust	3.46	3.09	687,471	592,744
U. S. Trust	†20.11	†20.89	115,740	120,093

*Including figures of City Bank Farmers Trust Company. †Indicated earnings.

The changes in loans showed considerable variation with a number experiencing an increase for the year and since the end of last quarter. In other cases some declines were reported. Considering the fact that the period is usually one where seasonal considerations often cause a decline in bank loans, the showing for the quarter was favorable.

Holdings of government securities reflected a condition similar to bank loans with variations between banks. In most cases the totals were above a year ago as a result of an increase in earning assets during the period. For the second quarter however, the changes were very minor.

Comparisons of loans and discounts and holdings of U. S. Government securities between March 31 and June 30 of this year are shown below.

	Loans and Discounts June 30, 1950	March 31, 1950	U. S. Govt. Securities June 30, 1950	March 31, 1950
		(000s Omitted)		
Bank of Manhattan	$427,795	$430,004	$323,432	$323,594
Bank of N. Y. & Fifth Ave.	126,514	113,850	161,453	165,861
Bankers Trust	572,899	567,712	521,403	512,254
Central Hanover	422,762	444,507	649,504	530,961
Chase National	1,404,655	1,379,485	1,671,781	1,655,732
Chemical Bank	480,140	468,285	511,288	528,922
Commercial National	45,404	41,361	93,882	92,880
Corn Echange	78,816	76,078	464,294	468,003
First National	155,153	136,495	315,477	315,801
Guaranty Trust	982,767	964,941	1,079,906	938,423
Irving Trust	405,488	371,414	436,218	415,149
Manufacturers Trust	580,364	551,656	1,005,985	1,024,818
National City	1,333,231	1,375,617	1,860,935	1,769,175
New York Trust	243,718	244,608	314,962	253,899
U. S. Trust	52,799	55,639	59,090	57,859

Join Tucker, Anthony

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Charles S. Bird III and John L. Thorndike are with Tucker, Anthony & Co., 74 State Street.

Joseph H. Hertel

Joseph Henry Hertel, associated with Hendrickson & Co., died of a heart attack at the age of 52.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

LAFAYETTE, Ind.—Floyd Carlson has joined the staff of Waddell & Reed, Inc., Lafayette Loan & Trust Building.

A. H. Gillis & Co. Formed

KANSAS CITY, Kans.—A. H. Gillis & Co. has been formed here to engage in the securities business.

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Britain's "No" to Schuman Plan

By PAUL EINZIG

Asserting it is now clear Britain will not participate in plan to pool Western European coal and steel, Dr. Einzig ascribes it to unwillingness to surrender national sovereignty. Lays opposition by British Labor Government to faulty French diplomacy and unwillingness to permit irrevocable loss of authority over nation's vital industries.

LONDON, Eng.—It is now clear that there is no likelihood of a British participation in the French plan for the pooling of Western European coal and steel industries. Until quite recently it appeared probable that in spite of the aggressive way in which French diplomacy had handled this matter Britain would join in sooner or later, even though she remained aloof from the Paris conference of the participating governments. It was widely assumed that, although the British Government refused to commit itself in advance to the principles of the Schuman Plan in the absence of adequate information about its nature, it would be willing to accept that Plan after it has emerged from the Paris discussions in its full details. The British objection was believed to have been solely due to disapproval of the French method of trying to force Britain's hand and demanding a blank cheque, rather than disagreement with the principle of the Plan.

Dr. Paul Einzig

From the debates in both Houses of Parliament on June 27 and 28 it has become obvious that Anglo-French disagreement is not one of procedure but one of principle. Britain's non-participation in the Paris discussions was not due to her unwillingness to commit herself in advance but to her unwillingness to commit herself at all. This was already indicated by the statement issued by the Labor Party National Executive on European Unity, and if any doubts were entertained whether that document represented government policy such doubts were completely disposed of by the speeches made by the Chancellor of the Exchequer and the Prime Minister during the debate. From these speeches the fact emerged that the British Government would in no circumstances be prepared to submit the British coal and steel industries to the control of an intra-European body. Hence the unwillingness to take part in a Conference based on the assumption of such surrender of national sovereignty.

This attitude was subject to much criticism by the Opposition—it was described by Mr. Churchill as "Palmerstonian Jingoism" on the part of Mr. Attlee—but in substance it truly represents the feelings of the overwhelming majority of the British people. Many Conservatives share the Socialist Government's views, and their number has increased considerably after the publication of long-overdue details of the Schuman Plan. From these details it has become clear that the powers of the proposed supra-national authority would be very extensive, and its control by the proposed Parliamentary body would be inadequate. What is even more important, a participating government would not be entitled to withdraw from the scheme except with the permission of all other members, and on terms appproved by them. This condition alone appears to justify the British Government's refusal to join the scheme. It would indeed be fantastic if Luxembourg were to have the power to veto Britain's decision to withdraw from the plan! Had these details been available during the debate the government would have defeated the Opposition's motion by an overwhelming majority, for very few Tories would have supported it. Even though it is arguable that Britain ought to have participated in the Paris Conference precisely in order to prevent the emergence of such absurd provisions, the mere indication of the kind of scheme that is in the minds of its French authors is sufficient to lead most people in Britain to the conclusion that it would have been a waste of time even to try to come to terms.

Having said all this, it is necessary to point out that the British Government, in refusing to participate in the Schuman Plan, is doing the right thing for the wrong reason. When it decided not to take part in the Paris Conference, and to reject the principle on which that Conference is based, it had no means of knowing the nature of the Schuman Plan. On the basis of the then known facts the Opposition appeared to be perfectly right in maintaining that the government ought to have taken part, since it could have withdrawn if vital British interests should be threatened. At that time the government was not in a position to answer that withdrawal from the Plan would be practically impossible, for it had no means of knowing that the Schuman Plan intended to rule out any escape clauses. The government's unwillingness to participate was inspired by the fear that on any international organization in charge of the Western European coal and steel industries there would be a non-Socialist majority. It was unwilling to surrender the control of the British coal industry, which is nationalized, and the British iron and steel industry, which is expected to be nationalized, to a non-Socialist institution. And, as the statement by the National Executive clearly indicated, the Socialist Government is in any case opposed to wholehearted cooperation and pooling of resources with Western Europe so long as most Western European countries are ruled by non-Socialist Governments.

One is inclined to speculate what would have happened to Britain and to the British Socialist Government if the United States had adopted a similar attitude. But for American assistance, economic conditions in Britain would have deteriorated considerably, and the Socialist Government would have been swept out of office at the general election.

Fortunately for the Socialist Government, French diplomacy has provided for it a legitimate excuse for keeping aloof from the Schuman Plan. It now appears that the candid admission that the British Socialists have no desire to work with non-Socialists abroad was superfluous. Had the publication of the ill-fated statement by the National Executive been delayed it might have become entirely superfluous. Almost everybody in Britain would be firmly opposed to an almost irrevocable surrender of two of Britain's most vital industries to the authority proposed by M. Schuman. The terms of the Schuman Plan themselves constitute a much more powerful argument against British participation than all the tortuous arguments of the National Executive's statement. Those terms may be acceptable to countries in the national economies of which coal and steel represent a small item. They are entirely unacceptable in existing conditions to Britain.

Once more it has become obvious that those anxious to achieve the integration of Western Europe are inclined to put the cart before the horse. There is ample scope for economic integration far beyond the limited scope of the Schuman Plan, but it has to come as a result of a progress of political integration. If and when the countries of Western Europe should unite themselves into a Federation, or at least into a Confederation, then and not before economic integration would stand a chance of succeeding. In existing conditions, however, the scope of economic integration is bound to be limited. Conceivably overriding political considerations might induce France and Germany to come to terms in respect of coal and steel, and other Continental countries might be willing to participate in the scheme even in the absence of further progress towards political integration. As far as Britain is concerned, however, she is bound to keep aloof from the plan. Possibly this was the object of French diplomacy. M. Schuman may prefer a firm union without British participation to a loose union with British participation, as far as coal and steel is concerned. Time alone will show whether he was right.

Carl Brown Partner In Laurence Marks

Laurence M. Marks & Co., 49 Wall Street, New York City, members of the New York Stock Exchange, announce that Carl C. Brown has been admitted to the firm as a general partner. Mr. Brown has been with the firm eight years as head of its public utilities department and previously he was with the Securities and Exchange Commission in the Public Utilities Division.

Mr. Brown's admission to the firm was previously reported in the "Chronicle" of June 29.

Ginther Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Fred D. Hatch has become connected with Ginther & Co., Union Commerce Building. He was previously with Bache & Co.

MANUFACTURERS TRUST COMPANY

Condensed Statement of Condition as at close of business June 30, 1950

RESOURCES

Cash and Due from Banks		$ 512,796,843.00
U. S. Government Securities		1,005,984,914.51
U. S. Government Insured F.H.A. Mortgages		48,160,963.90
State and Municipal Bonds		33,466,560.55
Stock of Federal Reserve Bank		3,150,000.00
Other Securities		22,405,213.16
Loans, Bills Purchased and Bankers' Acceptances		530,363,891.61
Mortgages		11,976,137.33
Banking Houses		10,852,287.76
Other Real Estate Equities		262,630.16
Customers' Liability for Acceptances		6,042,994.83
Accrued Interest and Other Resources		6,348,452.26
		$2,271,810,894.07
LIABILITIES		
Capital	$45,000,000.00	
Surplus	60,000,000.00	
Undivided Profits	34,992,898.67	$ 139,992,898.67
Reserves for Taxes, Unearned Discount, Interest, etc.		12,726,669.63
Dividend Payable July 15, 1950		1,350,000.00
Outstanding Acceptances		6,539,638.27
Liability as Endorser on Acceptances and Foreign Bills		2,715,288.29
Cash held as Collateral or in Escrow		7,642,571.46
Deposits		2,100,793,827.75
		$2,271,810,894.07

United States Government and other securities carried at $95,563,139.48 are pledged to secure public funds and trust deposits and for other purposes as required or permitted by law.

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Tobin Predicts No More Major Depressions

In talk before International Labor Conference at Geneva, Switzerland, Secretary of Labor says our social security laws guard our economy.

In reporting on United States labor progress at the 33rd Session of the International Labor Conference at Geneva, Switzerland, on June 21, Secretary of Labor Maurice J. Tobin expressed the opinion that this nation will never again experience a major depression "such as we had in the early '30s."

Maurice J. Tobin

"We are confident of our ability to avoid a major depression because of the great advances we have made in our social and economic legislation since 1933," the Labor Secretary stated. "The supports we put under our economy in these years stood us in good stead in 1949. They will be equally helpful in protecting our economy against serious recession in the years ahead. They are both a deterrent to depression and concrete evidence of the determination of the American people that we shall not have a repetition of that tragic era.

"Among the bulwarks of our economy are a system of old-age and survivors' insurance, free public employment services, and unemployment insurance system, insurance of bank deposits, and minimum wage and hours legislation. Agricultural price support programs removed one of the serious instabilities in the economy and sustained the purchasing power of an important group of our people. Resource development such as the TVA and rural electrification contributed to the economic development of large areas of our country.

"We are moving steadily forward to strengthen our economy still further. At this session of the Congress we have raised the minimum wage to 75 cents per hour, or $30 for a 40-hour week. We are now in the process of broadening the coverage and increasing the benefits of our Social Security system. Legislation accomplishing this objective will soon be on the President's desk for signature. The President has also requested action to expand the coverage and increase the benefits of our unemployment insurance system.

"America has proved the great strength of the free enterprise system buttressed by sound social and economic programs. The combination of a free enterprise economy and liberal social and economic legislation has permitted us to maintain a high level of economic activity during the postwar period. We have avoided a collapse of prices, credit contraction, bank failures, any large number of business bankruptcies, or lack of confidence on the part of business and the consuming public.

"The significant fact about the decline in economic activity and the rise in unemployment in 1949 is this: It did not spiral in cumulative fashion throughout the whole economy. The cause of the decline was a cautious liquidation of business inventories. The effects were almost completely limited to the manufacturing industries directly affected by curtailment of purchases by business for inventory purposes.

"It is important to note that the very fact which led to the decline in business activity in 1949—a rational and non-speculative attitude with respect to inventory practices and policies by businessmen—is one of the factors making for confidence in the general stability of the American economy now and in the future. One of the significant institutional developments in the United States in the past 20 years is the introduction of scientific methods, under the direction of purchasing agents, who now play an important role in American corporations, in the management of corporate inventory policies. For this reason alone, it is hardly possible that the type of economic recession the United States experienced in 1921-1922, which was largely the result of commodity speculation, could now occur in the United States. This is only one of the important institutional reforms in the United States in the last 20 years, but it is one which is too little appreciated.

"As it turned out, the cautious policy of business with respect to inventories was carried too far. Inventory accumulation was not only stopped; inventory liquidation actually took place on a large scale. As a result, employment and incomes declined. However, this did not result in general economic contraction.

"Consumers maintained expenditures throughout 1949 in about the same volume as in the preceding postwar years. Dollar volumes were slightly lower, but so were consumer prices.

"Businessmen maintained their plant and equipment expansion programs as planned. Investment for this purpose declined only moderately in 1949, as had been expected. Profits remained very good during 1949, and business generally saw no reason to cut back their capital investment programs.

"Likewise Government — Federal, State and local—did not retrench. Necessary public activities were carried forward to meet the social needs of the American people.

"As a result, the decline in gross national product was equivalent only to the net reduction in business purchases for inventories; and by mid-summer 1949, there were indications of a rise in employment and production. The rise in unemployment was checked. In contrast to an average volume of less than 2¼ million in the preceding three years of full employment, unemployment averaged 3.2 million in the first half of 1949 and 3.6 million in the second half of the year. As of the present time, unemployment is at a level of about 3 million, or less than 5% of the labor force. Moreover, these 3 million unemployed are not a hard core of unemployment; many are between jobs or only temporarily out of work. Allowing for seasonal variation, the outlook is for a lower level of unemployment later this year."

Edwin G. Bruns

Edwin Bruns, associated with Thomson & McKinnon since 1925, died at his summer home at the age of 80 after a long illness. Prior to his association with Thomson & McKinnon he conducted his own investment business for 33 years.

American Securities Co.

KENDALLVILLE, Ind. — The American Security Company of Kendallville is engaging in a securities business from offices at 132 South Main Street.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market continues to move in a narrow trading range, under moderate pressure selling by the authorities. No important change in policy is looked for, unless the Far Eastern situation should take on more serious proportions. If there should, however, have to be all-out mobilization of the nation's resources, because of an enlarged struggle, the money markets would not need very much converting. They have been under more or less complete control of the authorities for a long time. It would be mainly a minor problem of determining the policy and pattern to be followed.

Until more is known about what is likely to come out of the complicated international picture, the government market will probably remain in a restricted range. There will undoubtedly be enough selling by Federal to keep prices from going up, although not the same pressure as in the recent past to move quotations continuously downward. This wait-and-see attitude which is expected in the market will most likely result in larger investments in the short-term issues.

1¼% Limit on Certificates Likely

The eligible issues seem to be recovering their equilibrium: (a) because of the good demand which apppeared when prices receded and (b) the opinion that no high-coupon obligations will be offered in the September financing. There appears to be rather general agreement now among money market followers that the certificate rate will not go above 1¼%. This should be confirmed with the early fall operation. Which probably means one-year obligations and intermediate-term securities will be used to take care of the September maturities. Some deficit financing may also be done at the same time.

Bank Eligibles Provide Market Action

What the intermediate maturities might be is a matter of conjecture, but the guesses are 7 to 9-year 1⅝s and 8 to 10-year 1¾s. It is on these ideas that the market is evaluating the outstanding bank issues. This has brought buying and selling into the 1956/58's and the 1956/59's, with buying especially good when prices have been shaded. On the other hand, it has not added anything to the September 1967/72's because some believe an 8 to 10-year maturity might take part of the demand away from this bond.

Whether there will be an 8 to 10-year maturity in the coming financing does not seem to make any difference to some money market followers, as far as the longest 2½% is concerned. They feel this bond is out of line with the general level of quotations and it is believed switches and outright sales will eventually push it down to lower prices. This could happen, but there is also a fly in the ointment, and that is the limited floating supply of this particular security. Even when prices went down recently, not very many come into the market, and those that did appear were well taken by investors and not by the quick-turn operators. Also a good part of the recent price recession was not due to real liquidation in volume, but to a quoting down of prices.

Prices of Ineligibles Kept in Hand

Federal, in addition to selling the Vics, has been supplying the 2¼s due 1959/62, the 1962/67's and the 1963/68's, because there has been some stocking of these securities evidently for a trading turn. It seems as though the Central Banks do not want the ineligibles to get out of line for the time being at least, and are evidently making securities available to keep prices within desired limits. The feeling seems to be that Federal will keep the market around current levels until the international situation can be appraised more fully. The demand from buyers for government securities has increased since the Korean affair and this has put the pressure on the otherside of the market. The Central Banks have made securities available to meet this demand, when outsiders have not been sellers, which is more or less the program that has been in vogue for some time now.

There is, however, less evidence of the authorities wanting to force prices down at this time. This could be just a flash in the pan, however, because if the inflationary forces are to be more pronounced in the future, the pressure on the money markets will most likely be renewed with vigor. Unless more direct methods are used this would be expressed in somewhat higher yields for Treasury obligations.

Short-Terms Enjoy Good Audience

The near-term end of the list has been acting very well with considerable funds going into these securities, apparently to remain until there is more evidence of what is going to happen to the market as a whole. Buying of these securities has been quite general, with the small banks as well as the large ones taking on the short-term issues.

The partially-exempts, which have been under a shadow since the tax bill went through the House, are nonetheless being put away by the larger deposit banks. This buying has been mainly in the last three maturities although the 1960/65's appear to have a better demand than the other two issues.

Reports indicate there is considerable accumulation of the 1½s of 1955, and the 1⅜s of 1954. Switches within the ineligibles continue to be made, with most of the swops being made by institutions that are letting out the shorter bonds to go into the Vics. Despite the split opinions on the longest eligible issue, there has not been any unusual rush by holders of this obligation to switch in the Vics even with the price betterment in the 2½s of September 1967/72. Quite a bit of the money which has come out of the stock market to find a haven in governments is reported to have gone into the 59/62's and 62/67's.

American Cladmetals Stock Publicly Offered

Graham & Co. and Graham, Ross & Co., Inc. are publicly offering 480,000 shares of common stock (par $1) of American Cladmetals Co. at $1.50 per share, less a dealer's discount of 22 cents per share.

The net proceeds are to be used to install additional machinery and for working capital.

The company manufactures clad metals under the "Kinney Process." Its principal products, known as Rosslyn metals, are stainless clad metal — copper sheets clad on each side with a sheet of stainless steel and inconel clad copper—copper sheets clad with inconel, a product of International Nickel Co. of Canada, Ltd. Products are sold to fabricators of cooking utensils, ironers, processing vessels, evaporators, and other heat conveying and heat dissipating articles.

William Wendt With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—William T. Wendt has become associated with Shearson, Hammill & Co., 348 Green Street. Mr. Wendt was formerly Vice-President of Geo. R. Miller & Co.

With Daniel Reeves

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Noel McVickar, Jr. has become associated with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges. He was formerly with Cantor, Fitzgerald & Co. and Leo Schoenbrun.

Merrill Lynch Adds Two

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Joseph D. Ratterree and James J. Williamson II have joined the staff of Merrill Lynch, Pierce, Fenner & Beane, 23 North Pryor Street.

Ames, Emerich Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Abe Kritzer has been added to the staff of Ames, Emerich & Co., Inc., 105 South La Salle Street, members of the Midwest Stock Exchange.

U. S.
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★ ★ ★

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NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Correction—IRVING TRUST COMPANY, NEW YORK

	June 30, '50 $	Mar. 31, '50 $
Total resources	1,205,513,499	1,114,242,364
Deposits	1,068,961,562	976,518,624
Cash and due from banks	311,956,317	271,217,918
U. S. Gov't security hldgs.	436,218,284	415,149,650
Loans and bills discounted	405,483,334	371,413,652
Undivided prof.	14,113,398	13,558,578

* * *

While the figures of the Irving Trust for June 30 and March 31 were published in our July 6 issue (page 74), we take occasion to insert the figures again the present week, inasmuch as the March 31 figures of undivided profits contained a typographical error, having appeared as $13,553,578, instead of $13,558,578, as correctly shown above.

* * *

At a meeting of the Executive Committee of the board of directors of **The National City Bank of New York** held on July 11, David D. Brown, Jr. and Charles V. O'Connell were appointed Assistant Cashiers.

* * *

The directors of **Bankers Trust Co. of New York** announced on July 6 that in view of the proposal of the **Title Guarantee & Trust Co. of New York** to discontinue its deposit and commercial banking business, Bankers Trust Co. is arranging to assume deposit liabilities of that institution, contingent upon the transfer by the Title company of certain banking premises, facilities and other assets to Bankers Trust Co. Such a transfer must be approved by stockholders of Title Guarantee & Trust Co. The announcement by the Bankers Trust also said in part:

"Bankers Trust Co. will agree to be substituted, under the terms of the proposal and upon proper court approval, as the fiduciary in certain personal trusts, guardianships, and in certain other trust relationships now on the books of Title Guarantee & Trust Co. The Title company would no longer accept trust appointments, remaining actively in the title business. Upon completion of the transfer, Bankers Trust Co. will operate additional banking offices in the Bronx Brooklyn, Jamaica, Long Island City, and two offices in Manhattan, purchasing the present buildings in the Bronx and Long Island City, and leasing space in the other locations. It is estimated that Bankers Trust would gain approximately $50,000,000 in deposits from 21,000 customers, including those currently served by Title Guarantee as special interest and Christmas Club depositors. If the necessary approvals are obtained it is anticipated that Bankers Trust Co. will begin its new operations during August."

It is pointed out by the Bankers Trust that the transaction is not a "merger," but rather an outright purchase by Bankers Trust Co. of certain business of the Title Guarantee & Trust Co., which will continue to operate as a title company, after divesting itself of its banking business.

Barnard Townsend, President of Title Guarantee and Trust Co., issued a statement saying in part:

"Acquisition by Bankers Trust Co. of the banking division of Title Guarantee and Trust Co., will enable us vigorously to concentrate our efforts and resources on title insurance which has been our principal business since 1883. We expect to continue operation of our title insurance business at all of our eight locations in Manhattan, The Bronx, Brooklyn, White Plains, Staten Island, Queens and Riverhead, Long Island."

* * *

Robert W. Sinsabaugh has been appointed a Trust Officer of **Chemical Bank & Trust Co. of New York,** according to an announcement by Harold H. Helm, President of the bank. Mr. Sinsabaugh formerly was Financial Secretary of the Firemen's Insurance Co. of Newark, N. J., in charge of their investments. He will be associated with the Personal Trust Department of the bank.

* * *

To bring the advantages of the Common Trust Fund to a larger group the **Marine Trust Co. of New York** has established a Legal Common Trust Fund for such trusts in which the bank acts as a trustee or co-trustee, wherein, either by the terms of the trust or by choice, investments are restricted to those qualifying as legal securities for trusts in New York State. This Fund, with the Marine's Discretionary Common Trust Fund established some time ago, makes available to the smaller trusts a means of obtaining the greater stability of income and principal values which are usually available only to large estates and trusts through wide diversification of investment. In both the Legal Common Trust Fund and the Discretionary Common Trust Fund participation is limited to $50,000 for any one trust.

* * *

BANKERS TRUST COMPANY, NEW YORK

	June 30, '50 $	Mar. 31, '50 $
Total resources	1,531,687,024	1,574,824,472
Deposits	1,338,751,314	1,348,036,281
Cash and due from banks	355,335,033	404,193,205
U. S. Govt. security hldgs.	521,402,607	512,254,311
Loans and bills discounted	572,898,921	567,711,929
Undivided prof.	38,173,834	37,844,955

* * *

STERLING NATIONAL BANK & TRUST COMPANY OF NEW YORK

	June 30,'50 $	Mar. 31,'50 $
Total resources	139,898,595	141,090,401
Deposits	131,681,046	132,948,212
Cash and due from banks	31,879,836	31,604,958
U. S. Govt. security holdings	70,511,522	70,877,530
Loans and bills discounted	36,162,612	36,095,743
Undivided profits	980,007	958,703

* * *

GRACE NATIONAL BANK OF NEW YORK

	June 30,'50 $	Mar. 31,'50 $
Total resources	118,119,254	107,398,673
Deposits	98,799,874	92,473,750
Cash and due from banks	34,649,242	26,414,665
U. S. Govt. security holdings	44,002,982	45,072,683
Loans and bills discounted	28,784,102	25,630,703
Surp. & undivided profits	4,738,283	4,632,379

* * *

As part of its "Open House" promotion, the Westchester Square office of the **Bronx Savings Bank of New York** was open from 9 a.m. until 8 p.m. on Saturday, June 24, when a tour of its office was arranged whereby visitors were permitted behind the scenes to see the bank in action. Various equipment was on display and in operation, attracting, it is said, considerable interest among men and women as well. Not having a new office to attract visitors, the bank, it is announced, offered, as part of the "Open House" promotion, five door prizes, among which was an RCA television set. Every visitor on "Open House" day was given a door prize ticket; in addition, ball point pens were distributed to each new customer. The bank, with three offices, reports resources over $157 million.

* * *

Announcement is made by the **Manufacturers Trust Co. of New York** that William Goldfine, Vice-President of the bank's Melrose office, 360 East 149th Street, has been named Officer in Charge at that office, as well as Supervising Credit Officer of the four branches of Manufacturers Trust Co. which formerly constituted the National Bronx Bank. Mr. Goldfine who earlier was identified with the credit union movement and eventually elected President of the New York City Credit Union League, of which he is now Honorary President, entered the banking business in 1929 when he helped to organize the Union Bank of Bronx County. In 1931 he was made Manager of the Bronx office of the Underwriters Trust Co., joined the National Safety Bank in 1934, and became a Vice-President of the National Bronx Bank ten years later. When that institution was absorbed by Manufacturers Trust Co. in 1949, Mr. Goldfine continued as a Vice-President of the latter institution.

* * *

Brooklyn Trust Co. of Brooklyn, N. Y., announces that its new Glen Oaks office, at 253-15 Union Turnpike, Glen Oaks Village, Queens, will open for business on July 14. The new office will be in charge of Nils S. Mathisen as Manager and Henry W. Bason as Assistant Manager. It is the 26th banking office of the company and the second new banking office opened this year.

* * *

KINGS COUNTY TRUST COMPANY, BROOKLYN, N. Y.

	June 30,'50	Apr. 24,'50
Total resources	$53,412,998	$48,911,700
Deposits	43,820,715	39,214,900
Cash and due from banks	13,872,075	9,855,900
U. S. Govt. security holdings	20,842,947	20,865,700
Loans & discounts	2,430,249	2,209,800
Surp. & undivided profits	8,115,607	8,335,900

* * *

William C. Knapp, Auditor of **The Dime Savings Bank of Brooklyn, N. Y.,** and a veteran of 32 years with the bank, will retire on August 1, it was announced on July 6 by George C. Johnson, President of the institution. Mr. Knapp started his banking career 56 years ago with the old Oriental Bank. He also worked for a number of years with the Williamsburgh Trust Co. and joined "The Dime" on May 29, 1917. Serving in various capacities including those of teller, bookkeeper and head bookkeeper, he was appointed Auditor on May 15, 1941. To commemorate his retirement the employees and officers of "The Dime" presented Mr. Knapp with a Hamilton watch suitably engraved.

* * *

The **Niagara National Bank of Buffalo, N. Y.,** announced in the Buffalo "Evening News" of July 1, that effective immediately the institution would be known as the **First National Bank of Buffalo**. The bank in its June 30 statement showed total resources of $21,657,089, deposits of $19,726,127 and capital and surplus of $750,000 each. Herbert J. Vogelsang is President of the bank. In the July 3 Bulletin of the Comptroller of the Currency it was noted that on June 29 the capital of the Niagara National Bank was increased from $625,000 to $750,000; of the increase $62,500 was brought about by a stock dividend, while the further $62,500 increase resulted from the sale of additional shares.

* * *

At the 93rd Annual Meeting of the Corporators of the **Connecticut Savings Bank of New Haven, Conn.,** held July 10, Theodore S.

Continued on page 21

BANKERS TRUST COMPANY

NEW YORK

DIRECTORS

ALEX H. ARDREY — *Executive Vice President*
FRANCIS S. BAER — *Senior Vice President*
ELLSWORTH BUNKER — *Chairman, The National Sugar Refining Company*
HENRY J. COCHRAN — *President, The Franklin Savings Bank*
S. SLOAN COLT — *President*
WILLIAM L. DeBOST — *Chairman, Union Dime Savings Bank*
WILLIAM B. GIVEN, JR. — *President, American Brake Shoe Company*
JOHN W. HANES — *Vice President and Director, Olin Industries, Inc. Chairman, Executive Committee, United States Lines Company*
WILLIAM H. JACKSON — *Partner, J. H. Whitney & Co.*
FRED I. KENT — *President, Council of New York University*
LEWIS A. LAPHAM — *President, American-Hawaiian Steamship Company*
WARD MELVILLE — *President, Melville Shoe Corporation*
PAUL MOORE — *New Jersey*
THOMAS A. MORGAN — *President and Chairman of the Board, The Sperry Corporation*
JOHN M. OLIN — *President, Olin Industries, Inc.*
DANIEL E. POMEROY — *New Jersey*
PHILIP D. REED — *Chairman, General Electric Company*
GEORGE A. SLOAN — *Chrysler Building, New York*
B. A. TOMPKINS — *Senior Vice President*
THOMAS J. WATSON, JR. — *Executive Vice President, International Business Machines Corp.*
JUSTIN R. WHITING — *President, Consumers Power Company*

Member of the Federal Deposit Insurance Corporation

CONDENSED STATEMENT OF CONDITION, JUNE 30, 1950

ASSETS

Cash and Due from Banks	$ 355,335,033.21
U. S. Government Securities	521,402,606.66
Loans and Bills Discounted	572,898,921.03
State and Municipal Securities	25,608,912.85
Other Securities and Investments	28,122,642.36
Banking Premises	13,298,139.94
Accrued Interest and Accounts Receivable	3,964,174.84
Customers' Liability on Acceptances	11,056,592.71
	$1,531,687,023.60

LIABILITIES

Capital	$30,000,000.00	
Surplus	100,000,000.00	
Undivided Profits	38,173,833.82	$ 168,173,833.82
Dividend Declared		1,500,000.00
Deposits		1,338,751,314.43
Reserve for Taxes, Accrued Expenses, etc.		6,095,144.20
Acceptances Outstanding	$12,888,622.33	
Less Amount in Portfolio	1,448,288.84	11,440,333.49
Other Liabilities		5,726,397.66
		$1,531,687,023.60

Securities in the above statement are carried in accordance with the method described in the annual report to stockholders, dated January 17, 1950. Assets carried at $86,047,847.22 on June 30, 1950, have been deposited to secure deposits, including $50,017,751.63 of United States Government deposits, and for other purposes. On December 31, 1949, the corresponding amounts were $77,307,194.74 and $54,111,903.45.

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Mutual Funds

By ROBERT R. RICH

Dealers Warned About Women

Paul Bartholet, whose Mutual Fund Institute is sponsoring an investment education program for women, asks investment dealers participating in the program to heed the women's club-planning agency's warning that "Women's club members resent aggressive sales approaches. If dealers subject those present at meetings to sales solicitation, they will do the Institute, its members and themselves more harm than good. We urge that dealers refuse to discuss particular securities or funds at any meeting where they may be guests—but rather encourage the enquirer to consult them on some other occasion."

It is apparent that, in a program already involving some 2,000 odd clubs and associations, any errors in selling strategy will be magnified considerably. Mutual Funds selling strategy should be mapped carefully, and related in detail to dealers.

Whitehall Fund Asks "Who *Is* Right?"

Even before the sharp break in prices caused by the Korean situation, some investors were sitting on the sidelines because they feared that common stocks were selling at too-high prices. And yet, many other investors were not at all fearful as is evidenced by the continued strong demand that has resulted in the recent persistent upward trend of stock prices which carried the Dow-Jones Industrial Average to its highest peak in 20 years. The decline in common stock prices of the past two days has not changed the basic question as to which of these schools of thought is right. The data presented here should shed some light on this.

The Industrial Average at its recent high was about 8% above its 1946 peak of 212.50, whereas Standard & Poor's 90-Stock Index and the New York Times 50-Stock Index were both only slightly above their 1946 highs. Even more significant, the index of all stocks listed on the New York Stock Exchange was 23% below its May 1946 high at the end of 1949 (the most recent available data) when the Dow-Jones Industrial Average was only 5% below. And there is no reason to believe that this disparity has changed materially thus far in 1950.

Despite the level of the Industrial Average many common stocks were available at prices well below their 1946 peaks. The brief tabulation below is indicative of this factor.

	High May 29, '46	June 21, '50	Percentage Change
Dow-Jones Industrial Average	212.50	222.53	+5
Standard & Poor's Indices:			
12 High Grade Commons	135.5	136.8	+1
23 Low Priced Commons	281.8	161.3	—42

Although Standard & Poor's Low-Priced Index comprises the more speculative issues, there are also many good-grade stocks that can be bought substantially below their 1946 highs.

Price-Earnings and Price-Divs.

Even though the Dow-Jones Industrial Average has out-distanced the market as a whole for the last year, it is at an historically low level in relation to earnings and dividends. Compare the present figures with those of the earlier boom years in the table below.

Year	Earnings	—Market Level—		P/E Ratio	Yield
1929	$19.74	1929 High	381.17	19.3	3.3
1930	11.02	9/27/30	212.52	19.3	5.2
1937	11.49	1937 High	194.40	16.9	4.5
1946	13.63	1946 High	212.50	15.6	3.5
1949	23.54	6/27/50	212.07	9.0	6.0

As yet, there are no serious signs of a let-down in business activity—but current stock prices would not necessarily be high even if earnings dropped to $15 or the Industrial Average. The price-earnings ratio would then be 14.1, which is not high by past standards.

Lowered Purchasing Power

Today's dollar will buy considerably less in almost all goods and services, and investment media—than in any of the years shown in the above table. This is not the case with common stocks, whether measured by the Dow-Jones Industrial Average or by any other index. Thus the market levels shown in the previous table adjusted to reflect the 1930 purchasing power of the dollar (last time market was at current levels) would be as follows:

1929 High	9/24/30	1937 High	1946 High	6/27/50
371	222	226	182	150

Long-Term Trend

For the last 50 years that accurate records have been kept, the long-term trend of stock prices has been upward. The chart of the Dow-Jones Industrial Average shows that the peaks of earlier years eventually became, after a lapse of time, the supporting low points for later advances. And there is no indication of a reversal of this long-term trend.

There has been a marked growth trend in the over-all economy of the United States since the late twenties and thirties. Population is up sharply; productive capacity has been greatly expanded; individuals' savings are much larger; and corporations have increased their net working capital tremendously. There are but a few of the factors that should be taken into account in any judgment of the level of stock prices.

From Whitehall Fund's "General Comments"

Gift Tax Exemption and Annual Exclusion

Even after the usual "discounting" which is necessary, the opinions of experts and "insiders" are troubling. Many foresee that, in the event of even a modest rearmament program, physical controls and allocations will be necessary to prevent further inflation in an economy which already has a steel bottleneck, increasing income and near-full employment. It is no secret that our economy has little to spare in productive factors for rearmament.

Consequently an enlarged deficit this fiscal year will be pure pressure on prices. To forestall this, Calvin Bullock, in its monthly Bulletin, notes that Treasury officials currently are considering additional ways to increase tax receipts in order to obtain additional revenue and curb a predicted increased inflation.

Bullock comments that investors, in the face of increased taxation, might give more thought to the advantages of using certain tax-free gift opportunities while they are still available. As Bullock comments:

"$33,000 Tax-Free Gift

"By utilizing the $30,000 gift-tax exemption in one year and by using the $3,000 annual 'exclusion' one individual, who has not previously used any part of his lifetime exemption, may give away $33,000 to another person without paying any gift tax.

"$66,000 by Husband and Wife

"As a result of changes in the tax laws made in 1948 extending the 'community property principle,' a husband or wife, who has not previously used any part of the exemption, may give his or her spouse $66,000 ($60,000 gift-tax exemption plus $6,000 annual 'exclusion') during the year 1950 without paying any gift tax.

"Future Gifts

"Assuming the continuation of the annual 'exclusion' in future years, additional gifts may be made based on same.

"Tax Revisions

"The above information is based on current gift tax legislation which may, of course, be changed. It is generally assumed that, if gift tax rates are revised, the revisions will be less favorable. Thus many individuals will want to act **now**.

"Using Mutual Funds

"Persons planning to make gifts during their lifetime are not only interested in making tax-free gifts but are also vitally concerned about making adequate provisions so that the capital will be protected and produce income in keeping with the needs of the heirs. The beneficiaries of the gifts may be inexperienced in the problems of investment management.

"As a solution to this problem, the heirs may be given shares in mutual funds as a complete investment program in keeping with their needs."

New York Trustees Face Important Decision

Incorporated Investors, in its Parker Corporation letter, presents a persuasive and erudite discussion of the decision facing New York trustees. Incorporated remarks:

During July New York trustees face an important decision involving hundreds of millions of dollars. Passage of a so-called "prudent man" law has added common stocks with certain qualifications to the "legal list" of securities which a trustee may purchase. How they decide to use this permission will not only affect their beneficiaries, but may also affect the movement of the stock market itself.

In essence the trustees are faced with three alternatives:

(1) To invest in common stocks now.

(2) To refuse to buy common stocks at all.

(3) To postpone investing in common stocks in the expectation of substantially lower stock prices.

Let us examine first the position of a trustee who decides not to buy common stocks at all. The Act permitting investment in

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TWENTY-FIFTH ANNIVERSARY YEAR

common stocks provides that investment be made only in such securities as would be acquired by prudent men of discretion and intelligence in such matters who are seeking a reasonable income and the preservation of their capital. This is substantially the same wording as previous "prudent man" laws. While the wording is permissive only, a trustee must consider the implications behind it.

It would be a half truth to say that the Act permits a trustee to buy common stocks because prudent men have bought common stocks without suffering great losses. It would be more accurate to say that "prudent men" purchase common stocks because they believe it imprudent not to; and that the Act was passed to acknowledge this fact. A prudent man does not carry an umbrella because it will do him no harm —he carries it because it may rain. The same process of reasoning is behind his purchase of common stocks.

Prudent men purchase common stocks for "a reasonable income and the preservation of their capital." There have been countless examples in history where fixed income securities have suffered serious loss in purchasing power. The trustee who purchases nothing but fixed income securities when there is no legal barrier to his purchasing equities is, under ordinary circumstances, courting danger just as much as the trustee who purchases nothing but common stocks.

Let us assume then that the trustee will decide that some portion of his trust must be placed in common stocks. Should this investment be made now, or should it be postponed in the expectation of substantially lower stock prices?

People do not live on securities but on the income from those securities. Can, then, a "reasonable income" be obtained without investing in equities?

On June 29 the Dow-Jones Industrial Average yield was almost 6¼%, compared with 2.76% from high-grade bonds. In other words, the yield on high-grade common stocks is about 2¼ times the return on high-grade bonds. Certainly if income is to be a criterion, common stocks are a desirable addition to a trustee's list.

As regards the maintenance of these dividends, the low percentage of earnings that are currently being paid out is something of a safeguard. The following table showing the dividends paid on the stocks in the Dow-Jones Industrial Average and the percentage of these dividends to net income after taxes, illustrates this point.

Years	Dividends	% of Earnings
1939	$6.11	67
1944	6.57	65
1949	12.79	54

As to preservation of capital, no one can predict the day to day fluctuations of the market that may occur as a result of developments in the Korean war. Trustees can only hope to determine if they are paying a fair price for their properties at the time of purchase with due regard for current earnings and future prospects. When the common stocks of sound companies with a long history of dividends and earnings are available at high yields and selling as low as five times current earnings, it should be possible for men of prudence and intelligence to find a place for equity investments at the present time.

Leavitt & Bry Forming

Phillip B. Leavitt and M. Edwin Bry, both members of the New York Stock Exchange, will form Leavitt & Bry with offices at 61 Broadway, New York City, as of July 14. Both have been active as individual floor brokers.

Postal Service Cuts

By ROGER W. BABSON

Calling Postal Department service cuts "silly," Mr. Babson ascribes high Post Office costs to obsolete equipment and methods. Says cuts will mean higher prices to consumers.

The present war talk, due to the trial balloon sent up by Russia in Korea, does not worry me. Certainly, it should not cause readers to overlook the silly cuts which the Post Office Department has started. This in the end may be more serious.

Roger W. Babson

If you live in the residential area of a city or town containing a first or second class post office, your mail is now delivered to your home only once a day rather than twice a day. There is also a better than even chance that you will not get it until afternoon. If you have a business in one of these cities which is located in a so-called "business area" you may get more deliveries. However, if your office or business is located in a "residential area," you must struggle along with a single daily delivery.

Of course, many readers living in semi-rural areas beyond the outskirts of the cities and towns, and on farms, are glad to get their mail only once a day. But in addition to curtailing delivery service, the Post Office Department has made sweeping cuts in pickups from street letter boxes in cities and towns. It also eliminated much of the night work in post offices which formerly was such a great help in moving the mail quickly and efficiently. These latter cuts will be felt by everybody who writes to or receives mail from cities. This means you.

Why the Cuts Were Ordered

For the first time since the establishment of a post office on this continent nearly 260 years ago, we find our American postal service taking a step backwards. Why? We are told that the cuts were ordered to save money and to bring the Post Office Department budget within the amount suggested by Congressional leaders. This may be true. If it is true, it seems strange that the men who run the Post Office Department are making no apparent attempt to save money in ways other than the curtailment of service. Is it not possible that these cuts in service were engineered to divert public attention from the acute need for streamlining and further mechanizing the postal service?

Reorganization Is Urgently Needed

Many people claim that the postal service is grossly mismanaged. I do not know whether that is true, but there doubtless are many instances of inefficiency and stupidity which cost us taxpayers needless heavy expenditures. For example, look carefully at the post office trucks operating in your vicinity. Note the large number of old ones which cost more to run and maintain than they are worth. The Hoover Commission found that the average age of these postal vehicles was 15½ years.

The next time you are in your post office, glance into where the mail is being handled. You will find obsolete equipment and layout unadapted to moving the mail as quickly and as cheaply as possible. It is true that the post office does not control the amounts paid to railroads, steamship and airlines for moving the mail. Nor does it control the inexcusably heavy volume of Government mail which it must handle at a loss. It can, however, control its own employees and ought to revamp its procedures before resorting to curtailing services.

P. O. Cuts Mean Higher Prices

The slowdown in mail movements will become worse by early fall when mail volume normally increases. Already, delays of from 24 to 48 hours are being reported in the delivery of first class letters. Mail order businesses and those firms which depend chiefly on rapid turnover to keep above the break-even point will suffer the most and some unemployment is bound to occur. This will result in higher prices for merchandise. Another effect will be an eventual drop in postal revenues. An ill-conceived plan like this is bound to backfire. It is false economy of the worst type.

These poorly planned postal cuts reflect the confusion which prevails in official circles in Washington. More disturbing still, especially in this instance, is the apathy of our people. Although the majority of our people are gravely affected by these changes, yet very few have actively objected. These cuts receive surprisingly little attention from the masses of the people. Indifference such as this has resulted in loss of liberty in other lands. Shall we, too, lose our rights and services, and ultimately our liberty, by neglect and inaction?

Underwriters Offer Panhandle Eastern Pipe Line Debs.

Two new issues of debentures of Panhandle Eastern Pipe Line Co., aggregating $35,000,000 were marketed on July 12. Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Halsey, Stuart & Co. Inc. publicly offered $15,000,000 of serial debentures of the company and the same three firms head a group of 48 investment firms which offered $20,000,000 of Panhandle 2¾% sinking fund debentures due 1975. The serial debentures, maturing in the amount of $1,500,000 each June 1, 1953 through 1962, were priced to yield from 1.85% for those maturing in 1953 to 2.65% for the 1962 maturity. The 2¾% debentures are priced at 99.11% plus accrued interest to yield approximately 2.80% to maturity.

Out of the proceeds the company will prepay $10,000,000 of promissory notes due May 1, 1951 and $3,000,000 due Aug. 11, 1950. The balance of proceeds will be added to general funds to provide part of the cost of new facilities to be added to the company's natural gas pipe line system in 1950. The expansion construction program for 1950 involves expenditures of approximately $18,-200,000, a major item being the construction of approximately 131 miles of main transmission loop lines parallel with existing main lines at estimated cost of $9,900,-000.

The 2¾% debentures are subject to redemption at 101⅝% if redeemed on or before June 1, 1951 and thereafter at prices decreasing to 100% after June 1, 1974. A sinking fund is calculated to retire 90% of the issue by maturity. The 2¾s, due 1975 will be callable for sinking fund purposes at 100.

Upon completion of this financing, the company will have outstanding $107,000,000 of debentures, 135,455 shares of preferred stock and 3,240,000 shares of common stock.

Merrill Foundation Finances Harvard Study on Monopoly

A five-year study of monopoly problems in the American economy was announced by Dean Edward S. Mason of the Harvard Graduate School of Public Administration. The study will be financed by a $90,000 grant from the Merrill Foundation for the Advancement of Financial Knowledge.

The major aims of the study will be three in number: An attempt to formulate a standard of workable competition, an evaluation of just how effectively competition is operating today, and finally a consideration of what public and private policy is needed to help markets function competitively.

The Merrill Foundation, headed by Winthrop H. Smith, managing partner of the New York firm of Merrill Lynch, Pierce, Fenner and Beane, gave an "exploratory grant" of $10,000 last fall to a group of specialists in the field of law, business, government and economics to determine the feasibility of a full-scale study.

The unexpended balance of that grant plus the new grant will be used by the eight-man study group to finance the writing of seven volumes on different aspects of the monopoly problem, a special study of anti-trust decrees, and a final volume of analysis and recommendations. In addition the group will direct studies of 25 particular industrial markets.

Participants in the project will be: Dean Mason, Professors David F. Cavers and Robert R. Bowie of the Harvard Law School; Professor Lincoln Gordon of the Harvard Business School; Associate Professor Kermit Gordon of the Economics Department at Williams; Associate Professor Robert L. Bishop and Assistant Professor Morris A. Adelman of the Economics Department of Massachusetts Institute of Technology; Carl Kaysen, Assistant Professor of Economics at Harvard; and Joe S. Bain, Professor of Economics at the University of California at Berkeley.

The study will deal chiefly with four areas of the economy: mining, manufacturing, distribution, and construction. Within these areas, the studies will be concentrated on goods and services traded in national markets.

"In the past two decades," Dean Mason says in his letter to the Merrill Foundation, "economists have been shown increasing interest in studying the divergence in both structure and behavior between the competitive models of economic theory and the actual competition in the markets of the business world.

"Recently, this concern has tended to lead to an abandonment of the concept of a perfectly competitive market as a standard for judging the performance of actual markets, even in terms of vague, long-run tendencies. In its place, the standard of workable competition has come into vogue.

"This standard is as yet very imperfectly articulated: it is a major aim of the present study to elaborate a consistent and practically useful content for the slogan of workable competition."

The Board of Directors of

FIRST NATIONAL BANK

AND TRUST COMPANY OF PATERSON

Invite your Attention to this Condensed

STATEMENT OF CONDITION as of JUNE 30, 1950

ASSETS

Cash and Due from Banks	$ 19,294,210.65
U. S. Government Bonds	62,746,402.36
Federal Reserve Bank Stock	180,000.00
Municipal and Other Securities	20,670,902.20
Loans and Discounts	16,357,687.72
First Mortgages	12,813,467.80
F. H. A. Mortgages	17,582,348.83
Banking Houses	1,512,030.07
Accrued Income Receivable	543,111.16
Other Assets	407,067.11
TOTAL ASSETS	$152,107,227.92

LIABILITIES

Deposits	$141,605,697.68
Reserves, Taxes, etc.	1,239,417.30
Capital	3,000,000.00
Surplus	3,000,000.00
Undivided Profits	3,262,112.94
TOTAL LIABILITIES	$152,107,227.92

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Chairman of the Board

BENJAMIN P. RIAL
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FIRST NATIONAL BANK

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7 OFFICES CONVENIENTLY LOCATED IN PATERSON and CLIFTON, NEW JERSEY

Canadian Securities

By WILLIAM J. McKAY

It is perhaps highly significant that at a time when it appeared that the western world was at last groping its way towards a state of greater economic freedom, the proponents of despotic statism have attempted to arrest the movement by blatant aggression. Whereas it had been hoped that the enormous contributions made by this country to restore the war-ravaged countries of Europe would have imposed an intolerable strain on the U. S. economy, this expectation was clearly doomed to failure. Europe and the British Commonwealth were obviously moving towards the stage at which wartime restrictions and controls could be reasonably and safely removed; on the other hand in place of the anticipated recession, the U. S. economy was maintained at an unprecedented level of buoyancy. In short, the economic phase of the cold war was running in favor of the free world.

As a result the roots of Communism which thrive on economic decay could derive no sustenance in the healthy soil of economic recovery. Recent events however constitute an even sterner challenge. Still greater stresses will be imposed on the economies of the western world and the danger of losing the recent hard-won freedoms is now only too apparent. Whereas before the Korean developments, Canada, Western Europe and the British Commonwealth were moving in the direction of greater economic freedom, there are now growing fears of the tightening rather than the relaxation of governmental restrictions.

In this event the free world would suffer a severe moral reverse. The lines are now clearly drawn between despotic statism on the one hand and freedom of economic enterprise on the other. To abandon now the long sustained struggle for economic liberty would play into the hands of the foes of western democracy. Despite the added difficulties in the path of the attainment of the desired objectives the new economic challenge should be accepted in the same spirit that inspired the decision to ignore the risks involved in meeting the issue squarely in the military field.

The country that has an outstanding opportunity to set a constructive example in this direction is Canada. Economic events have conspired to place the Dominion in a position of unprecedented and almost unassailable strength. The inevitably increasing call on the Dominion's natural resources to fill new military demands can only result in further expansion of Canada's virile economy. In these circumstances there should be no necessity to have recourse to protective restrictions and controls. As far as the Canadian dollar is concerned there are already indications that the present discount provides an ample cushion against any adverse pressure that might develop in the event of the abandonment of Foreign Exchange Control Board restrictions.

A bold decision at this time to take the lead in moving toward complete economic freedom could not fail to have constructive repercussions elsewhere. The European Payments Union is already in force, but British reservations and the present international situation militate against its full operation. But wholehearted Canadian support of U. S. efforts to direct world trade and finances into freer flowing channels would do much to remove any European doubts concerning the wisdom of pursuit of these objectives at this critical time.

However as long as Canada is not unreservedly committed to the principles of economic freedom it will be difficult to convince Britain and other members of the Commonwealth of the desirability of following the U. S. lead. On the other hand if the senior Dominion should decide to press strongly for British Commonwealth cooperation with this country in its attempt to secure greater freedom of world trade, there is little doubt with regard to an eventually favorable outcome. A completely united U. S.-British Commonwealth-European economic front would bring a momentous influence to bear on the future course of world politics.

During the week the external section of the bond market continued on the easy side and the Dominion internals were also a shade lower. The corporate-arbitrage and free funds rates on the other hand were higher at 13% and 9⅛%, respectively. The stock markets, under the influence of the international situation, suffered a further sharp setback. Western oils and gold prospects in particular bore the brunt of successive selling waves. In the case of the oils it is possible that hasty liquidation might prove to be shortsighted; Canadian oil in the present circumstances might assume greater importance than under normal conditions. The industrials and the base-metals were less affected by the selling pressure and at the lower prices stock was well absorbed.

CANADIAN BONDS

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Leslie Morgan With Television Shares

SAN FRANCISCO, Calif.—Leslie A. Morgan, formerly with Dean Witter & Co., has been appointed representative for Television Shares Management Company and Hudson Distributors, Inc., principal underwriters of shares of Television Fund, Inc., and Hudson Fund, Inc., in southern California and the States of Utah, New Mexico and Arizona. Prior to his association with Dean Witter & Co., Mr. Morgan was actively engaged in the investment business in Los Angeles and Detroit. He is the author of the IBA sponsored book "Security Salesmanship," and assisted in carrying on courses in salesmanship sponsored by the IBA.

Continued from page 3

United States Economy Will Expand Despite World Events: Keyserling

bring these two factors together, we have intrepid management and splendid financial resources. If steady prosperity is maintained, and it can and should be, the current annual rate of total output of about $270 billion should rise to an annual rate about $8 billion higher by the end of 1950, and should then increase by $9 to $10 billion a year over the next five or ten years. This means that we can easily attain a total annual output of $310 to $320 billion within five years, and $360 to $370 billion within ten years (measured at constant prices). Thus, our annual production of goods and services within five years can be about $40 to $50 billion higher, and within ten years about $90 to $100 billion higher, than the previously unequalled peacetime peak at which we are now operating.

"Allowing for population increase, this entirely feasible national economic growth would provide resources to lift the general standard of living by more than 25% within a decade; to provide correspondingly larger markets and rewards for every major type of business enterprise; to support at an easily sustainable level of taxation and with a budgetary surplus the domestic programs of resource development, business stimulation and human welfare which are essential to this growth; and to carry such international obligations as may be imposed upon us by the foreseeable elements in an evolving world situation."

Nothing Inevitable About Business Cycle

Mr. Keyserling listed these main reasons why serious economic downturns are unlikely to interfere with the progressive expansion of the United States economy:

"The only thing that could seriously jeopardize this rate of dynamic progress, assuming the world peace which we all must hope will result from the firm stand against aggression now being taken, would be a prolonged recession or depression. But there is nothing inevitable about the business cycle. And these three main factors now reinforce the economy against the vast shocks of the past:

"*First*, our enterprise system itself—including businessmen and workers—has learned much more about how our whole economy functions than it ever knew before the war, and has translated this improved thinking into practical results. Even during the inflation of 1947 and 1948, there were not the speculative excesses so typical of previous 'booms.' Even during the moderate recession of 1949, business adopted policies of investment confidence, discriminating price adjustment, and wage stability which made for recovery instead of cumulating the forces of downturn as in previous eras. The vast preponderance of our economy consists of operations in the private sphere, and it is in the progress here made that we look for the main sources of stability and growth;

"*Second*, the Government during a generation has adopted profound measures to contribute to the stability of the economy. The strengthening of the banking structure, the controls over speculation and misrepresentation in the security and commodity marts, the greater flexibility of credit facilities both for purposes of stimulation or restraint, the support of the agricultural sector against catastrophic decline, and the establishment of nationwide insurance as a cushion against unemployment have all been tested and proved worthy as stabilization devices on a grand scale. The very nature of the Government's fiscal policy operates automatically as a stabilizing force. At any given rate of taxation, the progressive nature of the tax system results in a sharp reduction of taxes upon business whenever private investment declines, and a corresponding increase in taxes whenever inflationary pressures appear. On the expenditure side as well, certain programs such as Social Security and agricultural price supports expand and contract inversely to the trend of private investment and employment;

"*Third*, and most significant of all, although not so fully appreciated in the United States or abroad, popular thinking has swung overwhelmingly to the sound concept that action must and can effectively be taken to deal with large-scale and prolonged unemployment if it should arise. No informed person can question that the Congress, no matter what its party composition, would quickly and overwhelmingly rise to the occasion and adopt a comprehensive program on a variety of useful fronts if our business system should seriously falter. We are living literally in a new world, compared with the one in which depressions were regarded as inevitable and allowed to run their 'natural' course."

Effect of Current International Tension

Mr. Keyserling had this to say regarding the impact of recently increased international tensions upon the United States economy:

"There is no way of forecasting, with any degree of accuracy, the ultimate unfolding of the events which commenced in Korea late in June. The most sensible assumption on which now to act is that the manifest determination of united and freedom-loving peoples will increase rather than diminish the ultimate prospects for durable peace. In the short run, there is as yet no indication whatsoever that any increase of public outlays occasioned by the current situation would be in sufficient magnitude materially to alter the short-run economic outlook or to create dangerous or general inflationary pressures. An economy, which in its normal stride can increase total output by $9 to $10 billion a year, should well be able to absorb some changes in the pressure of demand for some products without general inflation. The fiscal and credit tools at the disposition of the government should be sufficient to contain inflationary pressures no greater than those which are likely to arise, particularly if supplemented by the kind of intelligent behavior on the part of business and consumers which has become increasingly characteristic in the postwar period. If businessmen and consumers continue to follow the pattern of buying which governed their actions in a prosperous and expanding economy prior to the recent turn of international events, few if any acute shortages should arise in view of the increasing amplitude of pipelines of supply. But an unjustified scramble for excessive accumulation of stocks, to safeguard against some hypothetic future shortage, could bring on the very evil of inflation which prudent action can avert. Every effort should be made to maintain a balanced attitude, and not to succumb to hurtful excitement. We cannot do all the things now which might be needed to take care of an infinite variety of future contingencies which are not predictable. But insofar as we handle the current situation well, it will increase the legitimate confidence that we will be able to handle equally well the problems of the future when they arise."

Economic Expansion Is Not Automatic

Mr. Keyserling indicated, however, that prosperity will not be maintained and expanded automatically, but will require hard and improved efforts on many fronts:

"In an economy as vast and flexible and ever-changing as the United States economy, it is still true that dislocations can arise in sectors of the economy which because of the interdependence of the whole would operate powerfully to turn it downward. As further bulwarks against this danger, we must seek further improvements in private and public economic policy along these lines:

"(1) Important business managers should gear their investment policies, their plant capacities, and their improvement of tools to the prospects of an economy growing substantially from year to year. This lifting of sights will in itself contribute to a stable rate of general growth, by furnishing a stable rate of growth in one of the most important areas of the economy which in the past has been subject to the most violent fluctuations. Adequate productive capacity in key areas will help to avoid the excessive tightness of supply which contributes to inflationary price increases, and will help to avert bottlenecks which lead to contractions of business and increases in unemployment at other points in the economic system. On the other hand, if businessmen should gear their investment and capacity to projected average requirements over a traditional business cycle of some fat years and some lean years, this in itself would add to the very instability which is feared.

"(2) Increasing production does no good without expanding markets. Expanding markets are created by the lowering of costs resulting from efficiency, by coordinated adjustments in prices and wages so that real purchasing power rises with increasing output, by the development of new and appealing products which the public wants and which provide more variety in the standard of living, and by good salesmanship. Constantly more comprehensive market analyses of the needs and wants of the people as a whole, and of the price-income structure which will enable these needs to be serviced as fully as our productive resources permit, is the paramount challenge to the whole business system.

"(3) While wages should advance rapidly enough to maintain adequate purchasing power, they should not advance so rapidly as to cause inflation. Economic stability and growth also require a narrowing of the vast disparities in the wage structure. The typical method of adjusting wages in the United States is through the collective bargaining process, which affects wages even in those areas where labor is not organized. Further improvement in the relationship between management and labor is therefore a central key to stability and growth, without a larger amount of industrial conflict than is perhaps inevitable if freedom is to be preserved. There are recent signs that both management and labor are working toward the improved understanding and mutual cooperation which are the main safeguards against excessive public intervention.

"(4) Government policy, despite gains in recent years which are al-

most universally conceded, needs still further improvement. Special emphasis should be placed upon those public policies which do most to maximize the incentives for a stable rate of growth within the enterprise system itself. Toward this end, there is room for important reforms in the whole tax structure. There is need for improved classification and evaluation of expenditure programs, so that those items which add to the real wealth of the nation can be distinguished from mere transfer payments of one kind or another.

"(5) Above all, the wealthiest nation on earth must increasingly recognize that it cannot be secure or hold its head high in the family of nations if the disparities between United States prosperity and the shortages in the other parts of the world remain as wide as they are now. It is important, but not enough, that we draw upon our immense resources to help other free peoples to resist aggression. We must also continue to draw upon our resources to help other free peoples to help themselves economically by enlarging their capital equipment, by advancing their technology, and by selling goods to us if we expect to continue to export goods to them. And with all this, the United States must cling to the perception that, while we happen now to excel other parts of the world in economic strength and potential, this does not mean that we are better than others in political maturity or moral judgments, the higher attributes of freedom and civilization. The United States has much to contribute; but it also has much to learn. Isolationism is not only dangerous from the viewpoint of security; it is equally dangerous in any field where mankind has common impulses and aspirations regardless of national boundaries."

U. S. Oil Investment Reaches Thirty Billions

Petroleum economists note industry's gross assets now exceeded only by agriculture, railroads, and public utilities. They term 1949 a readjustment year, with net earnings down but dividends up.

The investment of the petroleum industry in the United States has been estimated at $30.2 billion at the close of 1949 and,

Joseph E. Pogue Frederick Coqueron

in terms of gross assets employed, is exceeded only by agriculture, railroads and the public utilities. This estimate is made by Joseph E. Pogue and Frederick G. Coqueron of the Petroleum Department of the Chase National Bank in conjunction with their detailed study of the financial transactions of 30 major oil companies which comprise about two-thirds of the petroleum industry in the United States.

The study, "Financial Aanalysis of 30 Oil Companies for 1949," was published by the Chase on July 10. The industry's plant, property and equipment are carried at an estimated gross value of $23.5 billion, current assets at $6.3 billion and other assets at $0.4 billion.

According to the study, the year 1949 was a period of readjustment for the petroleum industry, following the postwar expansion which started in 1946. Prices underwent some reduction, and gross operating revenue of the 30 companies was down 5.7% from 1948. Net earnings of the group were $1,408 million, a decrease of 27% from the previous year.

Dividends were up, however, by nearly 19% over 1948. The 30 companies paid $564 million to stockholders, a sum which represented 40% of available earnings. The balance of earnings was retained in the business. The increased disbursement was made possible by the decreased outlay for plant, property, and equipment. Expenditures of this kind amounted to $2.3 billion during 1949, about 16% less than was spent in 1948.

Cash earnings of the group amounted to $2.7 billion in 1949, leaving $2.1 billion for other purposes after dividends. The expenditures for fixed assets and other investments aggregated $2.4 billion, requiring $0.3 billion from outside sources. Funds raised through financing and sales of assets totalled $0.7 billion. Of this amount, about $0.4 billion were added to working capital.

During the year, the group obtained funds totalling $641 million from banks, insurance companies and the public in the following proportions: 42.6% from insurance companies, 36.7% from the public, and 20.7% from banks.

The borrowed money and equity capital employed by the 30 companies at the close of 1949 amounted to $14.4 billion. Some 18% of this amount was in the form of long-term debt, a slight increase over 1948.

The combined world-wide crude production of the 30 companies averaged 3.4 million barrels per day in 1949, a 10% decrease from 1948. The volume of crude oil processed by the domestic and foreign refineries of the group averaged 5.2 million barrels per day, a slight decline from 1948.

Winners in Golf Tourney of Inv. Ass'n

At the annual golf tournament of the Investment Association of New York held at the Westchester Country Club in Rye, New York, Andrew F. Peck of Clark, Dodge & Company turned in the day's low gross score of 77. George K. Garvin of Garvin, Bantel & Company had second low gross with a 78.

The low net score, with handicap determined by a blind bogey, was carded by Joseph Lettman of Merrill Lynch, Pierce, Fenner & Beane, who scored a 79-8-71. Prize for the shot nearest the pin on the tenth hole went to Jay B. Samson of the same firm. William Lee, a guest, won the kickers' handicap.

About 100 of the young men in Wall Street attended the outing. The prizes were awarded at a dinner in the evening by Blancke Noyes of Hemphill, Noyes, Graham, Parsons & Company, President of the Association.

E. H. Stern Co. to Admit

On July 14 Gerald T. O'Connor will become a partner in Edwin H. Stern, Jr. & Co., 25 Broad Street, New York City, members of the New York Stock Exchange. Mr. O'Connor will acquire the New York Stock Exchange membership of the late Gregory P. Maloney.

N. Y. Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Interest of the late James E. Bennett in James E. Bennett & Co. ceased June 21.

Interest of the late Carl F. R. Hassold in Bioren & Co. ceased June 30.

Mtge. Lending by Life Insurance Companies

Dr. Saulnier notes companies' increasing investing participation in residential, commercial and industrial properties. Estimates their mortgages on urban non-residential properties as about 40% of all such loans outstanding. Notes divergence in interest rates.

Insurance companies are becoming increasingly important as investors in residential, commercial and industrial properties, and are a significant factor in the mortgage market as a whole, according to a study of "Urban Mortgage Lending by Life Insurance Companies" published by the National Bureau of Economic Research.

R. J. Saulnier

Their urban and farm mortgage holdings rose from $7.6 billion, which was 16.2% of all mortgage debt outstanding, to $8.5 billion, or 16.9% of the amount outstanding, between 1929 and 1947, Dr. Raymond J. Saulnier, Professor of Economics at Barnard College, Columbia University, and Director of the National Bureau's Financial Research Program, reports in the study. The study was conducted with grants of funds to the National Bureau by the Association of Reserve City Bankers, the Life Insurance Association of America, and the Rockefeller Foundation.

The importance of the insurance companies is greatest as lenders on urban non-residential property, Dr. Saulnier says. Estimates indicate that they held about 40% of such mortgages outstanding at the end of 1945. In contrast, they held 14% of all urban residential mortgages and 16% of all farm mortgages.

Insurance Companies Are Large Holders of Mortgages

Since 1938, life companies have held from 7 to 13% of all mortgages on one- to four-family properties and from 14 to 23% of the mortgage debt on larger residential structures. The financing of specialized commercial and industrial properties is done largely through life insurance companies.

Urban mortgages are found, without exception, among the assets of all insurance companies with resources of $100 million and over, Dr. Saulnier reports. Only a very few small companies, he says, have no mortgage investment at all. In 1945 more than 80% of all companies held some urban mortgages, and more than 90% of all companies with admitted assets of $1 million and over were urban mortgage lenders.

The heaviest urban mortgage loan investments are found among the companies with assets of less than $500 million, of which 13 had between 50 and 70% of their assets in urban mortgages, Dr. Saulnier says. This is indicated by analysis of available reports for 1931, 1936 and 1945.

Of 14 companies reporting holdings of urban property for investment purposes, most showed amounts less than 1% of their total admitted assets, though one reported such properties equal to 2.4% of all admitted assets. The proportion of total assets invested in urban real estate is about the same for all sizes of companies. In general, most such property was acquired through purchase.

Lending Policies Vary Widely Among Individual Companies

In their lending policies, Dr. Saulnier found, individual companies vary all the way from those that lend exclusively, or nearly so, on small residential properties on an insured basis (most frequently the small portfolio companies) to those whose portfolios consist mainly of large loans on income-producing properties of the residential and commercial type (mostly companies with large loan investment).

Between these two extremes, he notes, there are other companies, mainly those with intermediate- and large-sized investments, that follow a policy of broad diversification.

Often an insurance company acquires its loans exclusively through its home office staff and its system of correspondent relationship, or through a branch office system. However, to an increasing extent, a combination of these arrangements is being adopted, Dr. Saulnier says.

Urban Mortgage Lending Costs and Returns Are Studied

After reviewing the history of urban mortgage lending by life insurance companies and analyzing the market served by the companies, the economist presents an analysis of their urban mortgage lending costs and returns between 1945 and 1947.

In a study of 3,390 loans with an original amount of $37,128,000 outstanding in 1946, he finds that about 90% of the number and 45% of the amount of the loans were on one- to four-family properties, and the great majority were on single family homes. About 95% of the number and 85% of the amount were originally made in amounts of less than $10,000. The majority were either FHA-insured, thus requiring full amortization by maturity, or were conventional loans written on a full amortization basis.

Credit terms tended to be more liberal with respect to loan-to-value ratio and contract length on loans secured by one- to four-family properties than on loans on other structures.

About 56% of the number and amount of loans secured by one- to four-family properties had original interest rates between 4.1 and 4.9%. Interest rates on loans secured by other types of property, while also concentrated in the same range, were more widely distributed in higher and lower interest rate classes.

The average rate of interest received on portfolios of urban mortgage loans at the end of 1946 was 4.5% on one- to four-family properties and 4.2% on income-producing properties. There were virtually no geographical differences among interest rates on the former type.

Interest rates on loans of all property types tended to be higher on loans with no amortization provision. There was a distinct tendency for interest rates to be lower on loans of long maturity than on those of short contract length, and interest rates on loans secured by properties other than the one- to four-family type tended to be lower on the larger loans.

Continental Illinois National Bank and Trust Company of Chicago

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Statement of Condition, June 30, 1950

RESOURCES

Cash and Due from Banks	$ 555,097,089.61
United States Government Obligations	1,277,610,688.87
Other Bonds and Securities	126,256,402.77
Loans and Discounts	337,939,797.91
Stock in Federal Reserve Bank	4,800,000.00
Customers' Liability on Acceptances	1,063,444.56
Income Accrued but Not Collected	7,479,914.12
Banking House	9,450,000.00
	$2,319,697,337.86

LIABILITIES

Deposits	$2,114,196,274.87
Acceptances	1,077,674.78
Reserve for Taxes, Interest, and Expenses	7,156,487.32
Reserve for Contingencies	18,109,338.78
Income Collected but Not Earned	392,972.19
Capital Stock	60,000,000.00
Surplus	100,000,000.00
Undivided Profits	18,764,589.92
	$2,319,697,337.86

United States Government obligations carried at $232,879,891.84 are pledged to secure public and trust deposits and for other purposes as required or permitted by law.

Member Federal Deposit Insurance Corporation

Chicago has another great lake-front fair—The Chicago Fair of 1950. It has already drawn national interest and attendance, and should well be worth a visit this summer.

Securities Salesman's Corner

By JOHN DUTTON

The most valuable asset any salesman has is his time. Figure it out for yourself and you will see that you normally have only the hours between nine a.m. and noon, and from one to five o'clock in the afternoon when you can call to see people. This gives you about seven daylight hours every day for the actual solicitation of business. If you work five full days a week this leaves you a total of 35 hours. However, by adding two luncheon dates a week and spending four more hours on evening interviews, you will still have only 42 hours which can be used to place yourself before your potential buyers.

But as you well know these 42 hours are not free time that can be completely devoted to the production of business. There is time which must unavoidably be spent in traveling. Possibly a fair estimate would amount to about two hours a day for this purpose alone. Here then must be deducted another 10 hours every week and we are down to 32 hours again. Unless you can always see people when you call (which is impossible even if you have appointments) there must be additional time spent in waiting and delay. Three more hours of this and our work week has dwindled to 29 hours.

There are about two weeks of holidays which are observed in the investment business during the year and another two weeks of vacations. Here then are another two hours a day that you can subtract from your available actual selling time. This now leaves 27 hours a week that are available to you, even if you work some nights and take time for two luncheons with clients. However, we haven't spent any time at all in the office. We haven't included time for making appointments, for doing clerical work and record keeping. If you spend the hour between nine and ten for this purpose you can take off another five hours each week. This now leaves a net of 22 hours when you can see customers and actually go after business. Less than four hours and a half a day that are available to you, even if you work nights as we have indicated above.

When you checkup on men who have made an above average success in the selling field you will find that they were keenly aware of the value of their time. Nearly all of them were planners. They would set up the week ahead like a general surveying a battle. Each day had its appointments and these dates were marked on a handy diary. Each morning was planned—luncheon dates arranged—evening calls set up—and this was done a whole week in advance. Some men have found it better to spend Friday afternoons in the summer, and Saturday mornings in the fall and winter, just for telephoning clients and prospects in order to arrange **set appointments for the following week.** Then when they came to their office on Monday morning they knew where they were going, what they were going to do and say when they got there, and they eliminated waste motion in travel time.

Five hours can be added to your actual "selling time" by doing clerical work between eight and nine in the morning, or on free evenings. When you stop to consider that you actually only have **22 hours,** isn't it possible to add almost 20-to-25% to your income just by consistently using this additional time for the direct solicitation of business? Possibly there are some metropolitan centers where it is not advisable to see prospects at nine o'clock in the morning, but in many parts of the country this is feasible.

You may say this is a full week. Two nights of work, two luncheon dates each week, start on the first call at nine, work through till five. Do clerical work at other times. Sure it is. It is a full hard week. But time is valuable and there is not much of it. If you want to work a 40-hour week it is very easy to get a job where all you have to do is to report in the morning, go through the motions expected of you, and at the end of the week collect your small check. There is social security in it, unemployment insurance, a union card in some cases, and small recompense both in material and personal satisfaction. The kind of a job you have is something more than this sort of routine. The man who makes **a go of it knows this to be true—he is jealous of every minute of his time and he uses every golden one of them to its fullest.**

The FIFTH THIRD UNION TRUST CO.

CINCINNATI, OHIO

Statement as of June 30, 1950

RESOURCES

Cash and Due from Banks		$ 64,115,158.62
United States Bonds		98,830,064.85
State and Municipal Bonds		6,163,771.47
Other Bonds and Securities		7,031,128.50
*Loans and Discounts		66,359,005.55
Federal Reserve Stock		450,000.00
Banking Premises Occupied		3,585,574.83
Income Accrued Receivable and Prepaid Expense		639,804.31
Other Resources		57,766.73
TOTAL		$247,232,274.86

LIABILITIES

Capital Stock	$ 7,000,000.00	
Surplus	10,000,000.00	
Undivided Profits	1,765,070.46	
Total Capital Funds		$ 18,765,070.46
General Reserve		1,179,392.11
Reserve for Dividends Payable		140,000.00
Reserve for Taxes		917,552.66
Reserve for Interest, etc.		154,343.56
Prepaid Income		726,073.47
DEPOSITS:		
**Commercial, Bank and Savings		219,536,412.89
U. S. Government		5,793,064.40
Other Liabilities		20,365.31
TOTAL		$247,232,274.86

*In addition to this item as shown we have unused loan commitments outstanding in the amount of $3,768,553.23.

**This includes $2,299,855.68 of trust moneys on deposit in the Banking Department, which, under the provisions of the banking law, Section 710-165 of the State of Ohio, is a preferred claim against the assets of the bank.

Continued from first page

Korean Lessons

the uprooting of the South Korean economy are so many favorable items on the Bolshevist balance sheet.

Act of Appeasement

Actually, we have combined the slap at Moscow's face with a nice *piece of appeasement.* I am referring to the President's announcement that Formosa's status shall be determined in the peace treaty with Japan or by the UN. (In either case, we determine it.) That means, in effect, that we are considering either to hand it over to Communist China, or to make it a separate and therefore neutral unit (trusteeship). In either event, Chiang Kai-shek will be out of, and Communist China in, his UN seat. Prestige-wise and politically, that may be worth to Stalin a setback in Korea. In the meantime, it is true, we shall protect Formosa; but in exchange, the Nationalists are forbidden to harass the mainland—to fight for their own country. Thereby, the Nationalist guerrillas within China are doomed, and the Communist regime will be definitely secured.

It is plain ignorance to assume that Russia might be easily provoked to war. If she needs excuses, any number of them are on hand: the conflicts over Berlin, Greece, Iran, Austria, the Dardanelles, our propaganda in the satellite countries, our policy of rearming Europe, protecting Tito, etc., etc., etc., to say nothing of the gradual integration of Western Germany into an anti-Russian system of alliances. And it is plain naivete to assume that in the atom age a totalitarian would start his war in the gentlemanly fashion of putting the adversary on guard by advance notice. The fact that Moscow resorts to such maneuvers as in Korea proves that for the time being it lacks the intention or ability (which amounts to the same) for a real showdown.

Who doubts what the Soviet rulers would do if they were well ahead of us in super-weapons? Short of such overwhelming power, or of actual aggression on their territory, there is only one thing that might provoke them irrevocably: if we rearm Germany and Japan. That could be fatal to their "security." But Korea does not affect appreciably, one way or another, the bilateral balance of power.

The Cost of Fellow-Traveling

The President is being applauded for the decision he made. Indeed, leaving aside his arrogance in by-passing Congress and Constitution, let him have what is due to him, or to his military advisers, for reversing the Hiss-Lattimore line of the State Department. But what else could he have done? It was bad enough that he hesitated, thus enhancing the Communists' tactical advantage due to the criminal state of unpreparedness in which we kept South Korea, and which was a virtual invitation to invasion. Had he left things to drift further, the loss of American "face" would have been disastrous. Who in Asia could trust American promises if we ignore our commitments time and again and desert our friends? From India to the Philippines, the lingering Communist spark would have exploded sky-high. (And what would happen in the elections?)

The chickens of our China policy are coming home to roost. It will cost much more to hold the 38th parallel, plus Indo-China and Formosa, than it might have cost to stop Mao Tse-Tung on the Yangtze. There, the fighting would have been done by the Chinese Nationalists; bolstering their morale by material and managerial aid only, was needed.

Mandate from UN?

The United States acted, says the New York "Times," on a mandate from the UN. It would be more correct to say that the UN was acting (in the absence of Russia) on a mandate from the U. S. How could the West have done anything but follow us, on whom they depend for livelihood as well as for security? The fact is that the UN's function today is what great power alliances and conferences used to perform in the past, ever since the Holy Alliance. The nearest analogy to the present situation is the six-power intervention in 1900 to subdue the Boxer Rebellion in China. However, those powers were truly independent of one another and took equal shares in the action; presently, the role of our allies is that of auxiliaries and satellites in all but name.

It makes no difference in our Korean procedure whether it is justified by a decision of six powers sitting in conference or by a vote of seven powers in the UN Security Council. The legal and moral foundation of our action is as little affected as are its military outcome and political wisdom. But it is a sign of the times that deep thinkers like Mrs. Roosevelt must have their political conscience backed up by a formalized consent, the true meaning of which is nothing but "powers acting in concert."

Incidentally, Mr. Truman had no "mandate" whatsoever to interpose our seventh fleet between China and Formosa, and to impose rules of conduct upon both. Yet, the believers in formalized "collective security" do not even seem to notice this nonchalant by-passing of the UN.

The New Colonialism

The Korean incident may blow over in a matter of months (but guerrilla and even border warfare is likely to continue much longer). However, there are implications in the President's statement of June 26 which reach much farther in time and space. It announced, in effect, all-out aid to southeast Asia. We are "in" there for good. Which means *a new departure in the foreign policy of the United States.*

Since the 1920's, America's attitude toward colonial problems has been influenced by a deep-seated misgiving toward foreign rule over backward countries. If we did not actually foster native rebellions against the British, French and Dutch, we certainly sympathized with them. We refused to appreciate, (a) that local Dillingers rather than colored George Washingtons lead the insurgents in many instances; (b) that the natives in most cases are still incapable of self-government and benefit by Western rule morally as well as economically; (c) that the colonizing nations' own economic systems are profoundly dependent on their colonial assets. The extreme case is Holland: 20% of the Dutch national capital is invested in Indonesia, the export surplus of which could practically balance the mother country's dollar deficit. But the Indonesian regime is bent on confiscation rather than on cooperation.

Mr. Truman not only turned a somersault on Formosa, but abandoned our pet idea that colonies are a bad thing *per se.* From here on, we are going to defend them against Russia, and that covers internal rebellion as well. We have underwritten Europe's remaining colonial empires as well as the highly artificial, semi-totalitarian political structures which grew out of them.

Imperialism, 19th Century style, consisted largely in using force to gain economic benefits. For better or worse, our postwar Internationalism consists of providing benefits to others so as to achieve our political objective: to "contain" Russia. In the process, we are acquiring vested interests in both exports and ideology, and run headlong into conflicts. If economic Imperialism was supported by military expeditions, the new Internationalism results in just that, too.

A Marshall Plan for Asia

The financial consequences of our policy will be momentous. To "pacify" Indo-China, torn by a bitter three-cornered contest, on top of an inherently unstable Korea, will be expensive enough. To clean out guerrillas may take years, as the British learned in Malaya. But that is not the whole story. We operate on the theory that economic stability and progress of those areas are essential to their security, and must be bought by generous hand-outs. The same principle applies, of course, to Formosa and the chaotic Philippines. Already, a commission has been dispatched to study the economic "needs" of the latter—over and above the $2 billion we have sunk there so far. If chaos is the wedge through which Bolshevism enters, Burma and Indonesia call for economic doctors, too. With slight variations on the same theme, Thailand, India, Pakistan and the Arab world should follow; in Iran, we have started. Japan, incidentaly, is heading for a crisis of first order unless her problem of rising population and declining production is met, which means huge "investments."

In short, military aid under the Atlantic Pact may have to be duplicated in the Orient (not just shifted from West to East as we are doing now) and a Marshall Plan for Asia evolved. Commitments have their own logic—the Russians take care of that.

What Is Russia Up To?

The well-prepared Korean adventure indicates that Moscow expected to overrun the South quickly and to confront us with an accomplished fact. This sort of thing may or may not reoccur, but at any rate, no end of the trouble is in sight. The number of fools who still believe, and fellow-travelers who so pretend, that Russia's friendship might be won by dollars or territorial concessions, is dwindling. There still remain the hopeful who expect Korea will be a lesson to her. It upsets the "timetable" of aggression, they argue, and forces a change of its pattern. Especially so, if we really turn the table on the Communists by liberating North Korea as well as the South and uniting both. For years thereafter, we should have —not peace, of course, but—a secure breathing spell, a return to the "cold war," which compared to the current "lukewarm" one has become a term of endearment.

Unfortunately, the pattern of the Soviets' dynamism is not that simple. Expand they must, facing as they do a far superior global coalition which they consider their deadly enemy. They are too realistic not to understand that in the modern world, two totally opposed principles cannot live forever side by side. Russia **must** expand her political hold so as to offset her domestic weaknesses and her international isolation — to restore the balance of power. To avoid a suicidal war, her expansion takes the line of least resistance: through penetration, peaceful or revolutionary, in neighboring countries. The teeming areas of Asia are "naturals" for the revolutionary process, as Sinkiang (Chinese Turkestan) is in process of being peacefully penetrated by a mixed Russo-Chinese corporation.

Welfare vs. Security

The lesson of Korea is this: that genuine peace is not possible in a world of genuine antagonism between two great powers if they cannot rely on a multilateral balance of power; and that, therefore,

our national security is endangered by a tremendous force that not only operates insidiously, but also prepares to strike suddenly.

Preparations against both hazards are bound to call for added material sacrifices. The trouble is, we shall find out, that we have not used the breathing spell of the last five years to deflate an over-inflated debt, to readjust an unbalanced price-wage system and to rationalize an uneconomic tax set-up. The same holds, and more so, for our Western allies. Remember prewar France and Britain building up their little New Deals while Hitler was getting ready to fight them in a big way?

If the Korea incident has shaken us out of a dangerous complacency, it may turn out to be a sort of blessing in disguise. The President may find it worthwhile to spend more on additional air fleets and less on public housing. But more likely, we shall spend both ways: for more Welfare at home and more Security abroad. But as it is, the American machine is running at top gear, with private and public credit and taxes strained accordingly. Since new demands on the system cannot be met out of unused productive capacities, they will reverberate faster than they did last time in *inflationary repercussions*. Under such circumstances, *the threat of an early break in the current production boom is negligible.*

Arthur Salmon With Folger, Nolan

WASHINGTON, D. C.—Arthur C. Salmon, III, has become associated with Folger, Nolan Incorporated, 730 Fifteenth Street, N. W., in the municipal bond department. Mr. Salmon was formerly in the municipal trading department of Union Securities Corporation in New York and prior thereto was with the New York office of the Commerce Union Bank of Nashville.

Fred E. Hawk Co. Formed

YUKON, Okla.—Fred E. Hawk has formed Fred E. Hawk & Co. with offices at 440 Main Street to engage in a securities business.

Harry M. Stonemetz

Harry M. Stonemetz of Schirmer, Atherton & Co., Boston, died July 4 at the age of 76.

Railroad Securities

Southern Pacific

By the end of last week the market had settled down appreciably. The sharp wave of selling following the surprise attack on Korea two weeks earlier had pretty well worn itself out. On the whole, market analysts considered that the shock was well taken, particularly in view of the weak technical position following a full 12 months of advance. The market last week was sensitive to day-by-day-news from the fighting front and rumors from Washington of possible industrial mobilization, with the accompanying threat of price controls and materials allocation. Nevertheless, on recurring declines there was ample evidence of excellent buying support and rallies were convincing.

It is probable that stock prices will continue to fluctuate fairly dynamically for the time being at least. In the situation that we are now facing, however, there is one group that appears to stand out. That is the railroads, and it is expected that they will be given more and more attention by speculators and investors. Ending of the switchmen's strike last week, following failure of the earlier firemen's strike, should relieve fears of a nationwide strike of other railroad unions threatened for July 15. May earnings were excellent and with traffic up over the levels of a year ago, June comparative results should be even better. The outlook for the second half is good. Rail traffic can hardly be disrupted this fall as it was last year by steel and coal strikes, and further gains in operating efficiency are expected.

Generally speaking rail stocks are very low in relation to earnings and dividends. The group should benefit relative to other groups from a war psychology. Unless completely confiscatory taxes are to be imposed, the railroads are in a relatively sheltered position if we are again to have an excess profits tax. Increased defense appropriations will extend the visible period of high traffic volume. Finally, price controls or material allocations would not impose a hardship on the carriers. So long as steel is made it makes no difference to the carriers from a traffic viewpoint whether it is used for armaments or civilian purposes.

One of the stocks that has been attracting considerable interest at recent lower prices is Southern Pacific. Aside from any temporary considerations brought about by war developments the stock has had definite appeal. The management has done a very good job in recent years in reducing its outstanding funded debt and fixed charges. Also, through comprehensive refunding operations, it has materially improved its bond maturity schedule. It is the dominant railroad in California, and other parts of the service area are also among the most rapidly expanding in the country. Thus, the long-term traffic performance has been good and the future prospects are bright on the same grounds.

One thing that retarded the road somewhat was the fact that it was slow, in comparison with some other major western carriers, to adopt diesel power for freight trains. This is now being corrected at a rapid pace. The progress already made has been reflected in a consistent and fairly sharp, downward trend of transportation costs. The full benefits have not as yet been realized. This diesel program, moreover, has been augmented by road property improvements. Intensification of military efforts in the Pacific will almost certainly throw an increasing burden on Southern Pacific and other transcontinentals. Property improvements and the new diesel power should allow more expeditious handling of the heavier load.

So far this year Southern Pacific's earnings have been running well ahead of the like 1949 period. For the five months through May share earnings of \$3.10 were almost double the \$1.62 a share earned in the period through May 1949. Part of this reflected the adverse winter weather of 1949 but overall improvement in operating efficiency was also an important factor. It is not likely that the recent rate of year-to-year improvement can be maintained for the full year. It is expected, however, that further gains will be realized in the June-December months. For the full year earnings should at least top \$10, or twice the present dividend rate.

Continued from page 15

News About Banks and Bankers

Fowler was elected Assistant Secretary. Mr. Fowler became associated with the bank on July 16, 1929, and was appointed Chief Teller on Dec. 1, 1948.

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Richard D. Marzano, President and director of the **Bank of Commerce of Newark, N. J.**, announced on June 30 that he has sold his interest in the bank and is severing his connection with the institution. This is learned from the Newark "Evening News" which states that the bank was founded 60 years ago by Vito Marzano, father of Richard D. Marzano. The latter, who has been with the bank 43 years and succeeded the father as President in 1938, said he plans to continue in the banking business, according to the "News," from which we also quote:

"The board of directors last night [June 29] elected William Klaile to succeed Mr. Marzano as President. He has been a director and a Vice-President of the bank since 1943. Fred Hemminger, a director for two years, was named a Vice-President of the bank. At one time there were seven sons with the elder Marzano in the bank, which formerly was called the Marzano State Bank & Trust Co. Richard's resignation will leave only his brother Louis, who is the bank's Assistant Cashier. Mr. Marzano's father, who died in 1940, established the bank as a private institution Feb. 7, 1890. The bank was chartered as the Marzano State Bank in 1925."

In 1936 the name was changed to Bank of Commerce.

* * *

FIRST NATIONAL BANK AND TRUST COMPANY OF PATERSON, N. J.

	June 30,'50	Apr. 24,'50
	\$	\$
Total resources	152,107,228	150,683,906
Deposits	141,605,638	140,533,861
Cash and due from bank	19,294,211	19,203,586
U. S. Govt. security holdings	62,746,402	66,996,573
Loans and discts.	16,357,688	40,556,351
Undivided profits	3,262,113	3,291,641

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THE CORPORATION TRUST COMPANY, NEW YORK

	June 30, '50	Apr. 24, '50
Total resources	\$2,250 465	\$2,056,707
Deposits	129,877	123,979
Cash and due from banks	1,275,309	1,119,187
U. S. Govt. security holdings	419,667	419,693
Undivided profits	232,964	198,699

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THE PHILADELPHIA NATIONAL BANK, PHILADELPHIA, PA.

	June 30,'50	Mar. 31,'50
	\$	\$
Total resources	762,882,245	739,773,478
Deposits	692,136,835	670,810,207
Cash and due from banks	203,501,987	222,264,523
U. S. Govt. security holdings	313,510,950	284,254,188
Loans and bills discounted	150,786 256	149,994,908
Undivided profits	11,812,864	11,542,534

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FIDELITY-PHILADELPHIA TRUST COMPANY, PHILADELPHIA, PA.

	June 30,'50	Mar. 31,'50
	\$	\$
Total resources	220,214,216	248,545,895
Deposits	201,771,011	220,160,578
Cash and due from banks	51,955,349	48,150,547
U. S. Govt. security holdings	56,678,871	83,393,865
Loans and bills discounted	76,084 184	70,297,291
Undivided profits	5,550,531	5,441,386

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President W. G. Semisch of the **Second National Bank of Philadelphia** announces that effective June 30, George F. Budd resigned as Assistant Cashier of the bank.

* * *

Johnston, Lemon & Co., as the underwriter, announced on July 11 that the recapitalization plan of **The National Bank of Washington of Washington, D. C.**, involving an offering of 105,000 shares of the bank of \$10 par value capital stock, has been completed. Of 105,000 shares of capital stock offered initially by the **bank to its stockholders through rights, 104,680 hsares were** subscribed for by stockholders. The remaining 320 shares were placed privately by Johnston, Lemon & Co. Under the offer stockholders of record June 12 had the right to subscribe for the additional stock, at \$20 a share, in the ratio of one new share for each share held. Subscription rights expired on July 7. The National Bank of Washington on June 30, 1950 had deposits of \$87,566,340; total assets of \$90,125,195; and undivided profits of \$388,191. Stockholders recently approved a decrease in the par value of the shares from \$100 a share to \$10 a share, constituting a ten-for-one split. The bank now has capital of \$2,100,000 and surplus of \$2,100 000. Annual dividends of \$6 a share were paid on the old stock.

* * *

Hartwell F Taylor, immediate past President of the American Institute of Banking, has been promoted from Assistant Vice-President to Vice-President of **The Bank of Virginia**, by action of the bank's board of directors at the July 7 meeting in Richmond, Va. Mr. Taylor is a former President of the Richmond, Virginia chapter, A. I. B.; a former Chairman of national A. I. B. committees and a member of the Institute's executive council since 1945. As national President he recently concluded his term of office at the organization's golden jubilee convention at Minneapolis, Minn., June 11-16. Mr. Taylor began his banking career in 1925. He was associated with other banks until 1933, when he joined the staff of The Bank of Virginia. He was named an Assistant Cashier in April, 1936 and was elected Assistant Vice-President in July, 1946. In June, 1948, he became Branch Manager of the bank's new office in South Richmond and continued there until early 1949 when he was assigned to the Correspondent Bank Division.

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THE FIFTH THIRD UNION TRUST CO., CINCINNATI, O.

	June 30,'50	Apr. 24,'50
	\$	\$
Total resources	247,252,275	247,506,353
Deposits	225,329,477	225,795,798
Cash and due from banks	64,115,159	56,927,245
U. S. Govt. security holdings	98,830,065	110,903,864
Loans & discounts	66,359,006	61,041,455
Undivided profits	1,765,070	3,675,367

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CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY, CHICAGO, ILL.

	June 30,' 50	Apr. 24, '50
	\$	\$
Total resources	2,319,697,338	2,220,101.238
Deposits	2,114,196,275	2,014,088,758
Cash and due from banks	555,097,090	530,318,503
U. S. Govt. security hldgs.	1,277,610,689	1,210,778,886
Loans & discts.	337,939,798	329,303,608
Undivided prof.	18,764,590	16,392,846

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In an item in our issue of June 29, page 2692, reporting the election of L. L. Murphy as President of the **Calumet National Bank of Hammond**, the name of the State in which Hammond is located was inadvertently given as Illinois, whereas it is **Indiana**.

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FIRST NATIONAL BANK IN ST. LOUIS, MO.

	June 30,'50	Apr. 24,'50
	\$	\$
Total resources	459,225,471	454 221,537
Deposits	424,373,466	419,116,012
Cash and due from banks	112,737,732	104,452,581
U. S. Govt. security holdings	161,335,827	157,239,515
Loans & discounts	167,599,278	175,109,163
Undivided profits	6,329,277	6,792,531

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Election of Rod Maclean, Assistant Vice-President of the **Union Bank & Trust Co. of Los Angeles, Calif.**, to President of the newly organized **Southern California Bank Advertisers Association** has been announced. George Clark, Advertising Manager of the Farmers & Merchants National Bank of Los Angeles, was named Vice-President. Bank advertisers from Los Angeles to San Diego comprise the organization formed for study of new trends and methods in financial advertising, furthering cooperation with the press, and for the mutual exchange of ideas and discussion of present procedures in this field.

* * *

It was made known in the San Francisco "Chronicle" of June 22, that Herbert V. Alward would retire on July 1 as Vice-President and director of the **Bank of California National Association, of San Francisco.** The paper indicated states that he has been identified with banking interests over 51 years—the last 31 with the Bank of California; he started with the Bank of Nova Scotia in 1899 and in 1908 he was named Cashier of the First National Bank, Kalispell, Mont. From the paper indicated we also quote:

"By 1916 he was Vice-President and Cashier of the Fidelity Trust Co. of Tacoma, Wash., which was purchased by the Bank of California in 1919. From 1925 to 1927 Mr. Alward was joint manager of the Bank of California, Seattle, and was manager of the bank's Portland office from 1927 to 1935, at the end of which year he was elected a Vice-President and transferred to the head office in San Francisco. He was elected to the board of directors in 1946."

Mr. Alward is immediate past President of the California Bankers' Association.

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Parker S. Maddux, President of the **San Francisco Bank of San Francisco, Cal.**, announces, according to the San Francisco "Chronicle" of June 22, the promotion of Joseph D. Butler, Assistant Manager and Assistant Cashier of the bank's Park Presidio branch, to Assistant Vice-President. The "Chronicle" also stated H. V. Truitt, Assistant Cashier and Assistant Manager of the Haight Street branch, has also been elected Assistant Vice-President. Carl L. Ankels and Lorenz Buttelman have been elected Assistant Cashiers with headquarters at the bank's West Portal branch.

Business Man's Bookshelf

Industrial Retirement Plans: A Study including analyses of recently negotiated Union agreements—Bankers Trust Company, 16 Wall Street, New York 15, N. Y.—paper.

Public Relations in Business—Nugent Wedding—University of Illinois, Office of Publication, 358 Administration Building, Urbana, Illinois—paper.

Urban mortgage lending by life **Insurance Companies**—R. J. Saulnier — National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y.—cloth —\$2.50.

With Barclay Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Richard A. Tefo is now affiliated with the Barclay Investment Co., 39 South La Salle Street.

E. F. Hutton Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—William G. Haddad has been added to the staff of E. F. Hutton & Company, 463 North Rodeo Drive.

Continued from first page

Analysis of Wartime Stock Market Behavior

Harbor time of December, 1941, and excluding our pre-entry "honeymoon" (cold war) periods.

Bearish Market Response

Study of both of these "hot war" periods must, in the first place, disabuse us of the impression that war entry necessarily presages rising prices for appreciable segments of the stock market, irrespective of external elements as taxation and controls. In 1917 as well as 1941 the market action of nearly all securities — even the anticipated "war babies" — was extremely disappointing.

During the month following our entry into World War I in April, 1917, 110 of some 211 stocks listed on the New York Stock Exchange declined, while only 31 advanced, 70 remaining approximately unchanged. Sugars and steels did relatively well for a short time, but, as we shall see below, even these two groups soon joined the general market in its sharp decline.

Similarly, following Pearl Harbor 271 of 753 listed securities turned down with only 56 advancing and 426 showing no immediate substantial change. Surprisingly, even such "War Baby" groups as aircraft, air transport, explosives, machine tools, petroleum, chemicals, shipbuilding, and steel declined during the weeks following our actual entry into shooting war. Others doing badly then were meat packers, rubbers, variety chains, and chewing gum companies. During this early period shoes, sugars and nonferrous metals advanced for a short time, but, following the First World War pattern, these groups soon joined the general market's initial decline. The following groups were fairly stable: banks, dairy, distilleries, drugs, natural gas, and sulphur.

The above-described bearish behavior of the market immediately following our entry into both wars is shown in Table I.

Other significant conclusions are to be drawn from this table. Gold mining shares behaved very poorly in both the 1916 and 1941 war periods, as did the utilities, motors, and tobaccos. The railroads did much better during the latter than in the former period, even before they were taken over by the government on Jan. 1, 1918. Groups which exhibited a considerable degree of stability in the initial stages of both periods were containers, and railroad equipment.

Difficulty of "Picking Winners"

Following the initial shock of war impact in both periods, even those securities which had selectively acted well joined the rest of the market in its declines, so that six months after the beginning of hostilities only a handful of stocks were substantially above their prewar levels. Therefore the investor, to be successful, had to perform the feat of not only picking one of the very few groups that would benefit initially, but also of being nimble enough to take a profit in short order.

Again illustrating the investor's wartime difficulties, even if he was able or lucky enough correctly to recognize the market lows which occurred eight and four months, respectively, after the beginning of hostilities, he would have had to wait a considerable time for his stocks to return to their prewar levels. These delays in market recovery occurred despite a background of sustained industrial activity and high earnings.

This is shown in Table II for the Second World War. No breakdown is, however, shown for World War I, since only a few securities recovered to their preconflict levels by November, 1918.

The authors, of course, do not intend their studies to furnish an investing guide following the Korean outbreak, changing us from cold to hot war, nor to imply inclusive explanations and conclusions. They hope the material will be useful as a springboard toward further investigation, particularly of the causes of past market behavior.

In a succeeding article we will show how security prices acted over the war periods as a whole.

TABLE I

Price Behavior of Securities, by Industry Groups, During the Four Weeks Immediately Following Our Entry Into Shooting Wars

WORLD WAR I (April to May, 1917)					WORLD WAR II (December, 1941-January, 1942)			
Total number of companies in group	Higher	Lower	No appreciable change	Industry Group	Total number of companies in group	Higher	Lower	No appreciable change
6	0	1	5	Agricultural mach'y	8	0	3	5
0	0	0	0	Aircraft manufacture	21	1	9	11
0	0	0	0	Air transport	8	0	4	4
7	0	7	0	Auto manufacture	8	0	3	5
0	0	0	0	Auto equipment	36	1	10	25
0	0	0	0	Banks	3	0	0	3
2	0	2	0	Biscuit manufacturers	3	0	2	1
0	0	0	0	Bread manufacturers	4	0	1	3
0	0	0	0	Building materials	35	1	12	22
0	0	0	0	Camera supplies	2	0	0	2
3	1	2	0	Chemicals	15	0	5	10
3	2	1	0	Coal	10	0	3	7
6	0	4	2	Communications	5	0	3	2
0	0	0	0	Confectionery & gum	3	0	3	0
3	0	0	3	Containers	12	1	2	9
0	0	0	0	Cosmetics	3	0	1	2
0	0	0	0	Dairy	4	0	1	3
1	0	1	0	Department stores	16	0	6	10
1	0	0	1	Distilling & brewing	9	0	0	9
1	0	0	1	Drugs	11	0	2	9
2	0	2	0	Electrical equipment	13	1	5	7
0	0	0	0	Engines & motors	6	0	3	3
0	0	0	0	Explosives & firearms	4	1	1	2
0	0	0	0	Feed	3	0	1	2
2	1	0	1	Fertilizers	7	2	1	4
0	0	0	0	Finance (credit)	5	0	2	3
1	0	0	1	Food & beverage	18	0	9	9
1	0	1	0	Food chains (retail)	6	0	2	4
4	0	4	0	Gold mining	9	0	7	2
1	0	1	0	Hosiery	5	0	1	4
0	0	0	0	Household furnishings	18	0	7	11
1	0	1	0	Insurance	3	0	3	0
0	0	0	0	Investment companies	12	0	3	9
2	0	1	1	Leather	4	0	3	1
0	0	0	0	Machine tools	7	0	3	4
1	0	0	1	Machinery & parts	34	4	17	13
1	0	1	0	Mail order	4	0	3	1
1	0	1	0	Meat packers	6	0	5	1
0	0	0	0	Metal products	6	1	1	4
0	0	0	0	Motion pictures	8	0	1	7
0	0	0	0	Natural gas	4	0	0	4
23	6	3	14	Nonferrous metals	43	14	8	21
1	0	1	0	Office equipment	8	0	5	3
3	0	1	2	Paper	9	0	6	3
5	1	3	1	Petroleum	45	1	12	32
0	0	0	0	Printing & publishing	10	0	3	7
0	0	0	0	Radio & electronics	5	1	1	3
63	3	39	21	Railroads	31	2	9	20
8	3	2	3	Railroad equipment	16	1	3	12
0	0	0	0	Razors	2	0	0	2
0	0	0	0	Restaurants	5	0	1	4
5	0	3	2	Rubber & tires	11	1	10	0
0	0	0	0	Shipbuilding	4	0	3	1
2	0	0	2	Shipping	3	0	2	1
1	1	0	0	Shoe manufacture	7	4	0	3
0	0	0	0	Soap	2	0	2	0
14	9	2	3	Steel & iron	37	3	12	22
6	3	2	1	Sugar	15	14	1	0
0	0	0	0	Sulphur	3	0	0	3
4	0	3	1	Textiles	18	0	3	15
5	0	2	3	Tobacco	15	1	10	4
5	0	5	0	Transit & taxi	8	0	2	6
1	0	1	0	Trucks & buses	10	1	2	7
12	0	12	0	Utilities	23	0	12	11
1	0	1	0	Variety chains	16	0	12	4
2	1	0	1	Vegetable oils	4	0	1	3
0	0	0	0	Wire & cables	5	0	3	2
211	31	110	70	TOTAL—all groups	753	56	271	426

TABLE II

The Number of Months Required for Security Prices to Exceed Their Pre-Pearl Harbor Levels*

Total of Number of Companies in Group	Industry Group	Time Elapsed Since Dec. 1, 1941 1-6 Months	7-12 Months	More Than 12 Months
6	Agricultural machinery	1	4	1
18	Aircraft manufacturers	1	5	12
9	Air transport	1	8	0
13	Auto manufacture	4	6	3
43	Auto Equipment	14	16	13
3	Banks	0	2	1
3	Biscuit manufacturers	0	1	2
4	Bread manufacturers	0	3	1
28	Building materials	4	14	10
2	Camera supplies	1	1	0
15	Chemicals	1	4	10
9	Coal	2	4	3
7	Communications	1	4	2
8	Confectionery and gum	0	1	7
12	Containers	2	2	8
4	Dairy	0	1	3
20	Department stores	0	3	17
6	Distilling and brewing	4	2	0
11	Drugs	2	4	5
9	Electric equipment	1	6	2
4	Engines and motors	1	1	2
4	Explosives	0	1	3
2	Feed	0	2	0
5	Fertilizers	3	1	1
5	Finance (credit)	1	3	1
20	Food and beverage	3	7	10
9	Food chains (retail)	1	1	7
8	Gold mining	0	2	6
8	Hosiery	0	2	6
17	Household furnishings	4	5	8
3	Insurance	0	0	3
20	Investment companies	1	11	8
4	Leather	0	2	2
10	Machine tools	2	1	7
28	Machinery	7	6	15
4	Mail order	1	1	2
4	Meat packers	0	0	4
5	Metal products	1	2	2
7	Motion pictures	2	5	0
5	Natural gas	0	2	3
36	Non-ferrous metals	14	5	17
8	Office equipment	3	2	3
10	Paper	0	3	7
51	Petroleum	1	28	22
8	Printing and publishing	1	6	1
8	Radio and electronics	3	3	2
35	Railroads	8	10	17
15	Railroad equipment	0	3	12
2	Razors	1	1	0
4	Restaurants	1	1	2
11	Rubber and tires	1	8	2
5	Shipbuilding	0	0	5
4	Shipping	0	1	3
7	Shoe Manufacturers	3	0	4
2	Soap	0	1	1
30	Steel and iron	5	8	17
13	Sugar	0	4	9
2	Sulphur	1	1	0
16	Textiles	3	9	4
15	Tobaccos	1	5	9
6	Transit and taxi	3	2	1
5	Trucks and buses	1	0	4
30	Utilities	4	8	18
16	Variety chains	0	5	11
4	Vegetable oils	1	2	1
6	Wire and cable	0	1	5
751	Total—all groups	121	263	367

*Excluding some intervening rallies which were not sustained.

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The Security I Like Best

DONALD L. MOFFAT
Ass't Vice-President, C. F. Childs & Co., Chicago, Ill.

(Treasury 2¼s of June 15, 1962-59)

Being associated with C. F. Childs & Co., whose very name is synonymous with U. S. Government bonds, my choice would naturally be one of these securities. To be specific, the issue I favor is U. S. Treasury 2¼s of June 15, 1952-59. If an investment in this issue for two years would result in your receiving the full coupon (2¼%) plus nearly 2¾ points appreciation, which is the equivalent of about 3.62% annual return on a two-year investment in the safest security in the world, wouldn't you be interested?

Donald L. Moffat

At the present time this bond is not eligible for commercial bank investment, hence the current 2.10% yield for a nine-year optional bond. In June, 1952, however, this bond will be eligible for commercial banks, and at that time it will carry a seven-year option.

Today, U. S. Treasury 2¼s of Sept. 15 1959-56, which is slightly over a six-year optional bond and eligible for bank ownership, yield 1.60%. If the interest pattern in this range remains the same in 1952 a seven-year 2¼% bond eligible for banks should be worth a 1.65% basis or a dollar price of nearly 104. If you purchase this bond today at 101¼, in two years when it becomes eligible it could advance in price to 104, unless, of course, interest rates go higher. In that case, I would prefer this seven-year optional bond to anything that I know of.

If a seven-year bank eligible option is not worth 1.65% in two years' time, but worth only 2.10%, fully .45% basis higher than the present pattern, the dollar price would be about 101 against your original cost of 101 8/32. This would result in your two-year investment with no premium appreciation but the return from the 2¼% coupon, less ¼ point depreciation or roughly a return of 2⅛% per annum.

I believe an alert investor can capitalize on a bond, in a short period of time, as it moves from an ineligible status to an eligible status.

If interest rates remain unchanged, it is not impossible to receive the return mentioned earlier and if it does not occur I think investment in U. S. Government bonds still wise in preference to any other investment of a conservative nature.

Hamilton Management Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Hamilton Management Corporation, Boston Building, has added to its staff George L. Blattman, William W. Burke, Douglas W. Duffey, Herschel B. Eatherton, William I. Jones and Robert E. Kinney.

J. E. Stuler Opens

PHOENIX, Ariz.—J. E. Stuler is engaging in a securities business from offices at 1406 West Van Buren Street.

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Techniques for Avoiding Depression

holder, even though it may have no discernible payout associated with it.

It is doubtful, however, whether instances such as these account for a very large proportion of total business investment. Although quantitative data are lacking, I should judge that net changes in the volume of private investment are primarily influenced by the prospect of profit. This is true in varying degree whether these decisions involve reinvestment of depreciation allowances, net additions to existing plant and equipment, or new investment in new products and processes. Therefore, despite the non-pecuniary considerations that frequently impinge upon investment decisions, the outlook is not very encouraging for an adjustment of total business investment to the requirements of contra-cyclical policy, except within very narrow limits indeed.

There likewise appears to be a somewhat limited opportunity for municipal investment outlays to be adjusted to cyclical requirements. That leaves the Federal Government as the only significant contributor to that part of contra-cylical policy associated with investment. But there we run into the impact of expanding Federal outlays on the budget, and the reverberations that deficit financing may have upon future tax expectations, upon sentiment, and in turn upon business investment and consumer expenditures. More than three-quarters of our national expenditures are made by business and by consumers, and changes in that sector of the economy cannot fail to outweigh those of political agencies.

Fiscal Policy

Something of the same reverberations are encountered when we shift the analysis to compensatory fiscal policy of the Federal Government, whether it be induced by expanding outlays, or simply by a stable level of expenditures for all purposes against a contracting take by the tax collector. Nevertheless, I believe that fiscal policy can be used within limits as a stabilizing device with some success. The Committee For Economic Development has recommended that we "set tax rates to balance the budget and provide a surplus for debt reduction at an agreed high level of employment and national income." Tax rates would presumably remain stable relative to outlays, so that when activity and employment declines, revenues would decline, and an automatic deficit would occur. An inflation would automatically increase revenues and thus the surplus, and make more debt retirement possible. The principle, you can see, would apply automatic brakes to inflation and deflation, and it would have the merit of predictability. It would be quite different from a politically controlled expansion and contraction of Federal outlays — usually expansion.

All of the literature that I have examined, which has elaborated the Keynesian plausibilities of expanding and contracting government outlays as an effective contra-cyclical device, has supplied me, as of today, with more logic than conviction. In the first place, there is the matter of inherent difficulties of timing—of forecasting with sufficient accuracy to know when to expand or contract expenditures. The inevitable delays of translating policy into action, once policy has been determined, also involve an unpredictable timing factor. Moreover, organized pressure groups are sufficiently strong to exert a continuous expansionary influence on Federal outlays, regardless of the stage of the cycle, and policy is not likely to conform to the theoretical requirements of the situation. Witness the current deficit at a time of high level activity.

But perhaps the most serious limitation is that the result of an erratic fiscal policy is unpredictable, whether it is the result of fluctuating revenues, or of purposeful expansion and contraction of expenditures. I fear it will remain unpredictable in the discernible future, because of the impact of the resulting deficit on prospective future tax rates, and the effect of this in turn on business and public sentiment. This can only suggest that the opportunities of taking effective contra-cyclical measures by stabilizing total investment, or by expediently undertaking a compensatory fiscal policy are, at this stage of our thinking, of only limited promise.

Distribution Policy

There is another area in which students have worked with a view to finding ways of eliminating extreme cyclical fluctuations. It is held that by revising the pattern of distribution of the fruits of economic activity, we can avoid the periodic deficiencies of demand, or if you want to stand on the other side of the shield, the periodic surpluses of production, that appear to provide the initial impetus to the depression phase of the cycle.

That takes us into the wage-price policies of the nation and into the pattern of taxation, in contrast to the level of taxation. Put in its extreme form, these ideas simply say that if too much of the real income of the nation goes to too few people, there will not be enough profitable productive opportunities to induce full investment of the surpluses. These surpluses are then hoarded and a deficiency of demand for the national product at existing prices naturally follows.

As a nation approaches maturity, these tendencies become more serious in their impact, since new capital ventures of a promising nature appear with less frequency. The ideas then go on to say that higher wages relative to prices, and more or less steeply graduated income taxes, will serve to prevent such an accumulation of hoarded incomes, and by spreading the fruits of enterprise more widely, will assure the maintenance of a vigorous demand for all the production there is.

Given a special set of circumstances, the arguments have much validity. But they also have some weaknesses. They lean heavily on the bad dream of a mature economy. I, for one, do not know what a mature economy is, unless it means either that people's wants have been satisfied, or that there are no natural resources available to enlarge their satisfaction. Neither situation has ever existed in this country. On the other hand, if we are to enjoy the great expansion of material satisfactions that inherently appear to be just ahead, our principal concern should be to obtain enough capital formation to make possible the full utilization of available technology. Moreover, an average of $8,000 to $10,000 of capital equipment is required to provide a single job for an industrial worker, and most people are worried today whether the inducements to capital formation are sufficient to keep pace with the requirements of annual additions to the labor force.

It has been appropriately held, it seems to me, that these underconsumption theories overlook the long-run requirement that, in a free society, based on incentives rather than compulsions, the pattern of distribution must conform reasonably well with the relative productivity of the different income recipients. Unless it does, the inducement to greater effort and expanding productivity is weakened, and we have a declining real income even though full employment conceivably might be achieved. In this respect, there is no difference between a complex economic system and a simple one. In either case, an individual or a group of individuals can obtain more than the amounts resulting from their productivity only if someone else, or group of somebodies, gets less than they have produced. If the resulting disparities are too great, effort tends to dry up, and the very basis of the productive system is undermined.

In this area of ideas, as in almost all others in the social sciences, there is no positive and unqualified answer. It may be true at times that a higher wage relative to prices would be a good thing. It is just as true, at other times, that a lower wage relative to prices is the thing that the nation needs. It may be true at times that a higher rate of progression in taxes is desirable. It is just as true, at other times, that a slower rate of progression may be required to encourage new ventures essential for the maintenance or enlargement of prosperity. The important thing to realize is that this is a functional matter, in the first instance, and not an exercise in the metaphysics of equity, which is the basis that all too many people use in approaching these questions.

Structural Supports

There is still another area in which it is believed that measures are available to prevent the development of excessive business decline. That is in the imposition of structural supports throughout the economy, designed to prevent the development of chaotic markets. Another set of terms for structural supports would involve the use of words like guarantees, insurance, and subsidies. The many measures of this kind that have been developed over the past several decades, and that are now current in the nation's economy, extend all the way from the insurance of bank deposits to unemployment compensation, support of farm markets, and price maintenance, or so-called fair trade practice laws. We are now thinking of extending this kind of thing to the international field by some sort of an insurance arrangement for foreign investment.

There can be no doubt that these measures do constitute a first line of defense against a severe contraction. Whether they shall prove to be desirable over a long period of time is yet to be determined. They cannot help but obscure the development and prolong the existence of distortions in the economy. These maladjustments would inevitably arise from the failure of the price structure to reflect adequately the pattern of community desires. We are interfering with one of the functions of free prices which is to direct economic effort into channels most desired by the community.

Some place along the line in the years ahead we may have cause to regret the imposition of these so-called structural supports, but the fact of the matter is that they are with us now, and for all practical purposes, they are likely to be with us for some time to come. That puts a strong emphasis on the requirement that the supports be developed to achieve specific functional purposes, with full knowledge of their limitations, and that they be kept as far removed as is humanly possible from the realm of political manipulation and back scratching. That's a hard assignment to carry out but it is nevertheless an extremely important one. It would require an exercise of self-discipline by business, labor, agriculture and by government that goes far beyond anything that has been achieved to date.

This survey of four important fields of thought, namely investment policy, fiscal policy, distribution policy, and support policy, in which students have sought ways and means to prevent extreme fluctuations in the aggregate level of business activity, has been purposely presented in critical terms. That does not mean that nothing can be done in these areas. Indeed much has been done already. But it does us no good blandly to accept the idea that here is a ready-made set of economic tools, that simply await the adoption of proper attitudes on the part of business and of government for their completely effective use. The tools are still extremely crude. Figuratively, we are still using the single plowshare to cultivate our economic fields instead of the ten-row tractor plow.

The Expansion of Markets

This examination of ways and means that might be available to maintain prosperity would be incomplete, it seems to me, if it stopped with a recitation of those measures dealing directly with the business cycle as such. There is another area that is only indirectly associated with business cycles that might be explored with profitable results. To explain it, I want to go back and pick up an idea that used to preoccupy the thinking of a group of men known in England in the early 19th century as the Philosophical Radicals. It included such intellectual stalwarts as Jeremy Bentham, David Ricardo and the elder Mill. They were impressed with the possibilities of social improvement that came from what they believed to be the expansion potentials of markets. They had cycles in those days, but they were not particularly concerned with them.

The only limit to the market that they saw was provided by the marginal decrease in the efficiency of the factors of production. The land could support no more than a given level of production. The inefficiencies of trying to get more per unit of capital after a certain point would assure that eventually the ceiling on well-being would be reached, and that ceiling would constitute an iron-clad limit against which the expansion of population might not advance.

Today we are not so concerned about this static concept of diminishing return on capital in this long run sense. We have seen a demonstration of almost magic results coming from our scientific laboratories, and from the increased productivity of modern soil-handling methods and machines on the farm.

In the present state of our knowledge, it seems to me that nothing carries as great a promise of minimizing cyclical business contraction, and of prolonging periods of high level activity, as the possibility of a robust and enduring growth in the total market. A strong growth factor cannot help but cushion recession and support periods of prosperity. If there are no discernible limits to this expansion from the side of the efficiency of factors of production, then we must look to the side of demand for the restrictive and limiting elements.

Just why is there not today the vision of an almost limitless expansion of the market for the world's production? Why is it that we have lost a vision which the Philosophical Radicals of the early 19th century held, even though they were impressed by the limits which they foresaw on production, while we foresee no such limits in the early future.

Perhaps it is because we have all become too preoccupied with our separate and special interests, and have lost our feel for what is good for the whole. That ap-

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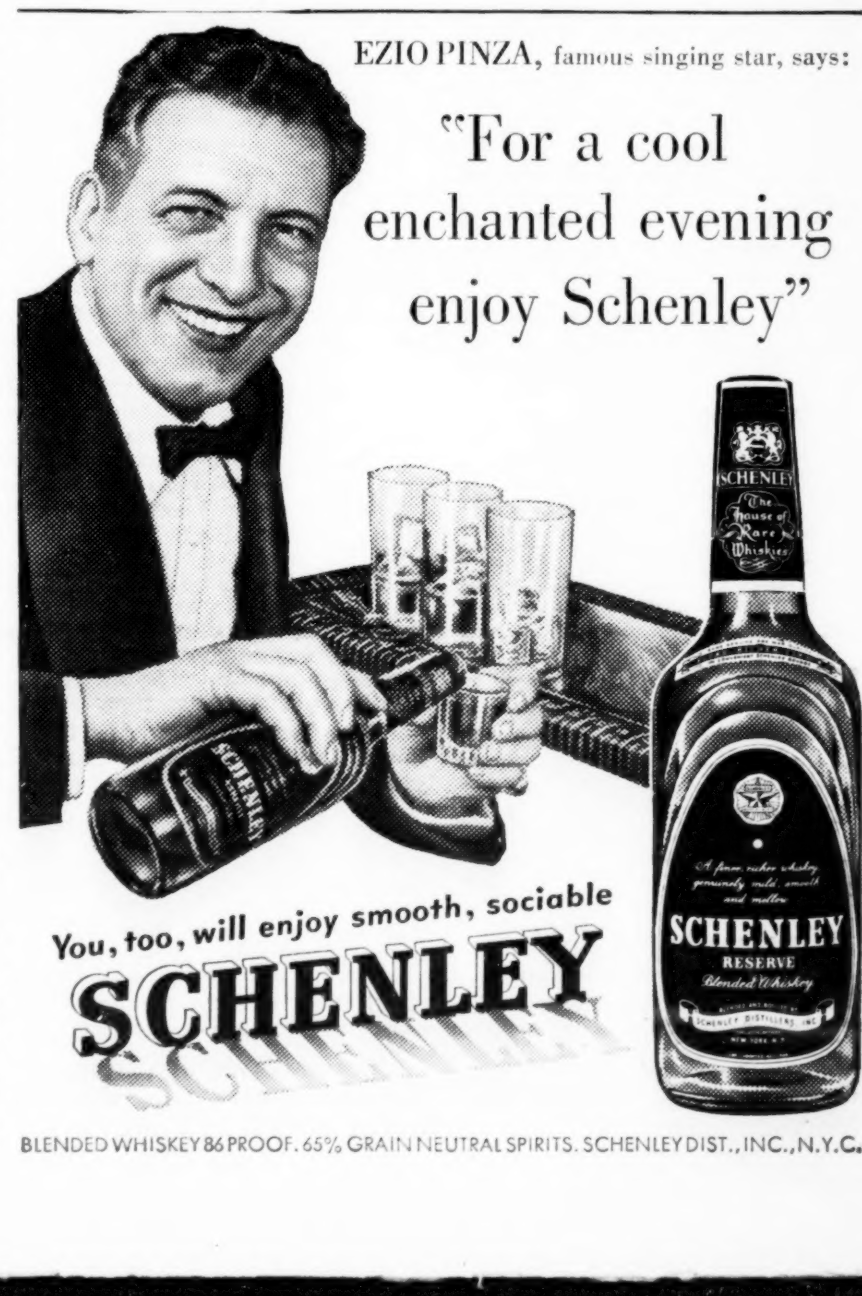

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pears to be true whether we are talking about separate group interests, separate national interests, or just our own personal interests.

It seems to be considered entirely moral for nations to set up barriers that isolate their internal economies from the affairs of the world, without realizing that by so doing they are restricting the size of the world market. It seems to be regarded as entirely moral for specific groups within a nation to seek for and obtain special restrictions and protections, which may provide a seeming immediate benefit to the favored group. But when all such favors and all such groups are looked at together, these restrictions cannot help but limit the size of a national market.

There is much that needs to be done in freeing the flow of trade, both within and across national boundaries. It would require a lifting of our respective sights from the immediate self-interest of ourselves as individuals, or of the self-interest of special groups, or even of the self-interest of nations, to the larger horizon of the greater good of mankind. Nothing, to my mind, could more surely lift the world from its present morass of floundering bewilderment than the vision of a great expansion in markets for the productive efforts of all peoples.

This may seem to some of you to be off of the immediate problem assigned to this discussion—namely, "Techniques for Avoiding Depression." I submit that it bears very specifically on the issue here. I believe that in the present state of our knowledge, any attempt to prevent depression within the framework of a total market that is not expanding will be an unsuccessful effort, and that our mistakes in this endeavor would be more costly than our achievements would be beneficial.

In a very real sense, I feel that the most promising way to minimize business recession and to support prosperity is to seek ways and means, all groups in the community acting together, to expand the total market both within and across national boundaries. It may be that we are not sufficiently mature in our economic thinking to exercise the self-restraint required to place special interest behind the interests of the whole. We will not reach that stage of maturity in our thinking until we realize that our individual or our group interests, in the long run, can be most benefited by an expanding prosperity for all.

With Merrill Lynch

(Special to The Financial Chronicle)

AUGUSTA, Ga. — Charles J. Williamson III has become affiliated with Merrill Lynch, Pierce, Fenner & Beane, 125 Eighth Street. He was previously with the Georgia Railroad Bank and Trust Co.

With Goffe & Carkener

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Joseph M. Crowe has been added to the staff of Goffe & Carkener, Inc., Board of Trade Building, members of the Midwest Stock Exchange. He was formerly with George K. Baum & Co.

Charles Bailey Adds

(Special to The Financial Chronicle)

DETROIT, Mich.—Richard Z. Koch has been added to the staff of Charles E. Bailey and Company, Penobscot Building, members of the Detroit Stock Exchange.

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The State of Trade and Industry

United States; (4) to carry out the provisions of the Atlantic Charter. If within the next three months voluntary methods of doing this do not prove effective we may see a return of the controlled materials plan—CMP—requirements matched against available supplies.

Recognizing this, steel users this week are climbing all over themselves to get all the steel they can. Whether they can get more than they have been getting is unlikely, but that won't stop them from trying. Consumers who normally use carbon steel are now trying to get alloy. They are only partly successful. Alloy producers, booked solid through the third quarter in the West, are taking orders for October delivery. The situation is softer in the East, "The Iron Age" declares, but tightening fast.

Hot-rolled bar producers are theoretically booked up solid indefinitely, although demand is more flexible in the East. Makers of silicon steel are booked solid through the third quarter and are taking orders for October delivery.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 94% of the steel making capacity for the entire industry will be 96.0% of capacity for the week beginning July 10, 1950, compared to 92.6% a week ago.

The curtailed output is due to the vacation schedule now in operation in some companies.

This week's operating rate is equivalent to 1,830,000 tons of steel ingots and castings for the entire industry, compared to 1,765,200 tons a week ago. A month ago the rate was 101.1% and production amounted to 1,927,200 tons; a year ago it stood at 77.8% and 1,434,300 tons.

Electric Output Shows Sharp Drop for Week

The amount of electrical energy distributed by the electric light and power industry for the week ended July 8, was estimated at 5,379,924,000 kwh., according to the Edison Electric Institute.

It was 735,195,000 kwh higher than the figure reported for the previous week, 397,751,000 kwh., or 8.0%, above the total output for the week ended July 9, 1949, and 619,608,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Cut by Strike on Western Railroads

Loadings of revenue freight for the week ended July 1, 1950, totaled 783,357 cars, according to the Association of American Railroads. This was a decrease of 26,795 cars or 3.3% below the preceding week due to a strike of switchmen on five western railroads.

The week's total represented an increase of 139,175 cars, or 21.6% above the corresponding week in 1949, and an increase of 26,079 cars, or 3.4% above the comparable period in 1948.

Loadings in 1949 and 1948 were reduced by the coal miners' annual vacation period, which is scheduled for a later week this year.

Auto Output Cut by July 4 Holiday

According to "Ward's Automotive Reports" for the week ended July 1, motor vehicle production in the United States and Canada dropped to an estimated total of 142,548 units, compared with the previous week's total of 197,767 (revised) units.

The drop in output was caused by the additional day off on Monday of last week and the July 4, holiday.

Total output for the current week was made up of 111,739 cars and 21,070 trucks built in the United States and a total of 7,178 cars and 2,561 trucks built in Canada.

The week's total compares with a combined output of 118,611 units produced in the United States and Canada in the like 1949 week.

Business Failures Cut by Holiday

Commercial and industrial failures declined to 138 in the holiday-shortened week ended July 6 from 156 in the preceding week, Dun & Bradstreet, Inc., reports. At the lowest level yet reached in 1950, casualties were 10% below last year when 153 occurred, but they remained above the 88 in the comparable 1948 week. Failures were 34% below the 208 reported in the corresponding week of prewar 1939.

Retailing and commercial service accounted principally for the week's decrease. In manufacturing, casualties rose from 27 to 36 and in wholesaling from 16 to 17. Manufacturing, wholesaling and retailing had fewer failures than last year; the rise from last year was very moderate in construction and service.

Four of the nine major regions reported sharp weekly declines in casualties. The Middle Atlantic States dropped to 48 from 59, the West North Central States to five from 10, the South Atlantic States to six from 12, and the Pacific States to 20 from 28. The East North Central States noted a mild decrease to 26 from 27 as did the East South Central States with a dip to two from five. The New England States rose sharply to 18 from nine, the Mountain States to six from one, and the West South Central mildly to seven from five.

The New England, Middle Atlantic, East North Central, West South Central and Mountain States reported increases over last year.

Food Price Index Registers Sharpest Rise in Two Years

Reflecting further substantial advances in meats and foods, the Dun & Bradstreet wholesale food price index climbed to $6.19 on July 4, the highest level since Dec. 28, 1949 when it was $6.21. The week's gain of 15 cents, or 2.5%, over the $6.04 of the week before, was the sharpest for any previous week since July 13, 1948 when the index soared 24 cents to reach its all-time peak of $7.36. The current figure compares with $5.66 at this time last year, an increase of 9.4%.

Commodity Price Index Stimulated by Korean Crisis

The general level of wholesale prices continued to move higher last week, largely under the impetus of developments in the Korean situation. The Dun & Bradstreet daily wholesale commodity price index rose to the highest level since December, 1948. The index climbed to 270.43 on July 3, from 266.57 a week earlier, and compared with 237.45 on the corresponding date last year.

Grain markets on the Chicago Board of Trade continued the upward trend of the previous week with new high prices for the season recorded for deferred deliveries of wheat and for all corn futures.

Trade was active with volume of sales up sharply to 258,706,000 bushels for the week, or a daily average of 43,000,000 bushels.

The latter compared with 33,000,000 bushels the week before, and 24,000,000 bushels in the same week last year. Bullish features in addition to the crisis in the Far East included the announcement of higher support levels for the 1950 wheat crop and a rise of two cents a bushel in the wheat parity price from May 15 to June 15. Country marketings of corn were light with the cash article advancing to the government support level.

Bookings of hard wheat bakery flours were moderate although buyers continued to be cautious in the face of rising wheat prices. Demand for refined and raw sugar broadened considerably. Sugar futures went to new high ground for the season; spot raws sold at 5.85 cents a pound, also a new high for the year.

Cocoa prices continued to work higher under good manufacturer and dealer interest and the tightening situation in spot supplies. Green coffee prices were firm at recent high levels as some coffee roasters pushed their prices higher for the third time in the past two weeks.

Lard prices rose steadily during the week in response to good commission house and trade buying. The rise was also influenced by a sharp advance in live hogs and stronger markets for soybeans and cottonseed oil. Beef steers advanced about $1 per hundredweight last week; market receipts were the smallest for any week so far this year. Demand for live hogs in the Chicago market was very active with prices soaring to new highs for the past nine months.

Cotton prices in domestic markets moved irregularly higher last week although daily fluctuations were small.

Strengthening features were attributed to the hostilities in the Far East, announcement of further ECA authorizations, expectations of a higher mid-June parity price for cotton, and continued brisk demand for cotton goods.

The June 15 parity price, announced over the week-end, showed a rise of 25 points over that of a month previous.

Exports of cotton during the week ended last Thursday, as estimated by the New York Cotton Exchange, totaled approximately 254,000 bales. This was the highest for any previous week during the past several seasons, and compared with 139,000 bales in the preceding week, and 129,000 bales in the corresponding week a year ago.

Trade Volume Closes Above Level of Year Ago

The lengthy Fourth of July week-end served as a sales spur in the period ended on Wednesday of last week, as shoppers responded favorably to summer clearances; country-wide retail dollar volume was slightly above the level for the corresponding period in 1949, according to Dun & Bradstreet, Inc., in its latest review of trade. There was no appreciable reflection of international developments upon consumer spending.

Following widespread promotions of summer wear, apparel buying rose moderately last week.

Sports items were paramount in the interest of many shoppers; blouses, slacks, and tropical worsted skirts were sold in large quantities. There was also a high seasonal interest in beachwear and cotton dresses. Other eagerly-sought items of women's wear were hosiery and accessories. Men's furnishings were in increased demand in some localities, while they were infrequently requested in others.

The consumer demand for food rose somewhat in the week. Slightly more meat was bought than during the previous week, despite rising prices in many cuts. There was brisk buying of vegetables and fruits; both fresh and canned varieties were plentifully sought. The buying of eggs, poultry and some dairy products declined in scattered sections.

Total retail dollar volume in the period ended on Wednesday of the past week was estimated to be from 3% above to 1% below a year ago. Regional estimates varied from last year's level by these percentages:

New England, East, Midwest and Pacific Coast +3 to —1; South and Northwest +2 to —2 and Southwest 0 to +4.

Wholesale buying for the nation was nearly unchanged in the week with aggregate dollar volume holding slightly above the level for the comparable week last year. Moderately rising prices in some commodities, partially affected by the Korean conflict, helped to offset a slight decline in unit volume during the holiday-shortened week. There was a sharp drop in the number of buyers attending various wholesale centers.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended July 1, 1950, rose *10% from the like period of last year. An increase of 1% was recorded in the previous week from that of a year ago. For the four weeks ended July 1, 1950, sales showed a rise of 5% from the corresponding period a year ago, but for the year to date a drop of 1%.

Retail trade in New York last week was marked by activity; however it compared unfavorably with the like week a year ago due to the fact that most stores were open one day less.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to July 1, 1950, rose *6% from the like period of last year. In the preceding week a decline of 3% (revised) was registered from the similar week of 1949. For the four weeks ended July 1, 1950 an increase of 21% took place. For the year to date volume decreased by 4%.

*In using year ago comparisons allowance should be made for the fact that stores in some cities remained open on Saturday, July 1 this year and, therefore, the week had one more trading day than the corresponding week last year when stores were closed on Saturday, July 2.

Continued from first page

As We See It

Kremlin, we charmed ourselves into thinking that with the fall of Hitler and Mussolini and the crushing of the Japanese Empire, the world at long length was indeed "safe for democracy." Imperialism was gone with the winds of the mid-century. The lion and the lamb, if indeed there were any realism in a division of the nations of the world in any such fashion, would lie down in peace together. It was the "great design" of the most influential man of his time, then but recently passed to his reward. We could safely disarm, and did so at a speed comparable to the record we had established in arming when our life seemed at stake early in 1942.

Promises Meant Nothing

It was, of course, at once obvious that Russia had no notion of observing her solemn agreements, or of disarming. What is more, it became evident in a very short time, indeed it was implicit in her actions preceding the end of the fighting, that she was on the make. We looked for, and, of course, found all manner of excuses and explanations for this conduct. But it was not long before the fact could not be ignored that we had a problem on our hands much greater than the Hitlers and Mussolinis and the Japanese ever were. It smote the man in the street in the face every day at every turn. It was not possible to go on with the hollow pretense that the word democracy meant the same thing to the Kremlin that it means to us, or that internal struggles were responsible for much of Russia's international vulgarity and insolence. Stalin had to be taken down from his pedestal. We had a determined "aggressor" to contend with.

What is as important is the fact that repeated reports made it clear that this aggressor was devoting much of its substance to building military potential. It was likewise fishing in all the troubled waters it could find anywhere in the world, and all around its almost limitless periphery it was setting up puppet States made possible by extremely untoward conditions and political infiltrations in advance. On all fronts and in all ways it was marching on. It remains, of course, to be seen how permanent all this is. The Chinese, the Koreans, the Czechs, and the others may not in the long run care more for Russian tyranny than for any other kind of exploitation. There may presently be more than one Tito and it may well be questioned whether many of these satellites will show a great deal of enthusiasm for conquering their neighbors. But the potentialities of the situation are incontestably disturbing.. One can scarcely fail to wonder what is coming next.

Our Own Ineptness

But what did the Administration do? Its chief occupation seems to have been to try to out-shout and out-abuse the Kremlin. Certainly it could scarcely have been said to have spoken softly. Perhaps it should not have done so, but its shouting and its "big talk" should certainly not have been accompanied by a little stick, a rotten stick, or no stick at all. Yet this latter appears to be about what it has been doing. It has talked much about air strength and what it could do in the next war. It may have much on paper to support these arguments, but apparently nothing or nearly nothing in actual reality. We have been steadily reducing our military strength at precisely the time when we were inviting trouble with our talk and our general international policies.

Korea Is a Result

The situation by which we are confronted in Korea today—and it is not a pleasant one, however measured—is a direct result of such policies as these, plus continual vacillation which has left no one, including the oppressed of the East, with any feeling of certainty as to where we stand or of any feeling of trust in us or any desire to follow our leadership. Indeed, it might almost be said that Korea has been a miniature of our world policies and our world blunders. It was evident almost from the very first that Russia had not the slightest notion of leaving Korea and the Koreans to attend to their own business. It has been known that the Kremlin was organizing and arming the population of that country within her jurisdiction from the very first, and that the ostentatious "withdrawal" of the Russian army was a farce. What did we do? Well, we appear to have gone through the motions of building up a "constabulary" lightly armed, if armed it could be called in this day and time, and then withdrew.

A Disgraceful Performance

It was said at the time, and with reason, that it would be very unwise in any military sense to permit ourselves to become committed to the defense of Southern Korea since it was quite "untenable," as the military jargon goes. For months past, so it is now said, we have known that the Russians were building up strength north of the 38th parallel. Apparently, we supposed that it was some sort of game since we were very much surprised when use was made of these preparations. Our policy during this period appears to be rather too inane to be credible. We remained complacent as we did before Pearl Harbor, and if our policy toward Formosa is to be taken as any criterion, were determined to stick to our original determination not to try to defend Southern Korea. At any rate, it is now evident that we took no steps whatever to implement any other program if one had been decided upon. When the North Koreans struck we were to send a few planes before breakfast some morning and put an end to the affair. (Remember the talk before Pearl Harbor?)

But it is a very sorry story. It is a disgraceful performance. We wish we could see some evidence of better things to come.

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Petroleum Industry— Egg or Chicken Itself?

ilar exploration elsewhere. These rights of free choice of free men to make such arrangements as they might desire with respect to their own property are undoubtedly the fundamental difference between those "have-not" countries with their great petroleum resources and our country with its great petroleum production and prosperity. The failure of governments in business is universal, and is particularly noteworthy in the oil producing business.

Consider for a moment what the petroleum industry means to the United States. The total investment is approximately $30 billion, providing employment for about two million workers, or an average capital invested of $15,000 per worker. The products of the industry are used daily by nearly every one of us and at low cost in terms of daily wages. Clearly our industry, if not the cornerstone of our prosperity, is fundamental to it.

Clouds on Business Horizon

Two clouds are visible on our business horizon. First, oil producers in our country are believed to be exploring for the last two-fifths of our oil sources, which on the average will be found in smaller pools, at greater depths, and probably in areas of greater operating difficulty than the reserves now known. To discover and produce these resources, without which we would become largely dependent on foreign oil within a decade, our oil producers need all the financial incentives which they now have, and possibly more. Lacking progressive conversion of these resources to known reserves, our national security, itself, may be imperilled. Taxes in our present government's deficit economy are an important and sometimes determining factor in all private business. Recently we have seen our revenue-hungry Treasury Department attempting to increase the already large tax burden of the petroleum producer by reducing the statutory depletion allowance which has been in effect for more than 20 years. It is clear that in the remaining oil exploration in our country the oil producer should have at least his present tax advantages to provide the incentives for continuing his efforts through the leaner years ahead. It is more than probable that in another decade he will be justified in urging a material increase in depletion allowances because he will then be producing from reserves obtained at higher cost, and cannot hope to recover his capital investment on the present depletion basis. Thus, we are justified in taking a stand against reduction in depletion allowance and in informing our Congress of the probability that it should be increased in the future.

In addition to being discouraged if profits from risk of his capital are materially reduced by onerous taxes, the oil producer also finds that loss of depletion allowance would have an adverse effect when after discovery he seeks to borrow capital with which to exploit his new property. Banks and other potential lenders must consider the probable impact of taxes on the income which might be used for debt service. Accordingly, increased taxes reduce the producer's borrowing power and increase the ratio of equity to borrowed capital which must be provided by him.

Second, a large part of the oil to be discovered is not under privately owned lands. As stated earlier numerous wells are drilled annually to maintain the production and reserves in this country. Most drilling has been done, and is being done, on privately owned lands under conditions similar in many respects to those prevailing during the early growth of the industry. The problem of leasing and exploring lands owned by the Federal Government has long been familiar to the producers in the Rocky Mountain States. Recent decisions of the Supreme Court of the United States have placed the tidelands, with their very important resources, under the same ownership. The tidelands and the Government lands in the Western States combined, will doubtless prove to contain a large portion of the undiscovered oil resources of the United States. For that reason, the future well-being of the oil-producing industry in this country will depend on the extent to which laws governing leasing and operation of these lands approximate the terms and freedom of action obtainable from private owners. Imposition of greater restrictions and more red tape will drive us in the direction of those countries in which Government attempts to operate the oil-producing industry, and fails. With the minimum of regulations and restrictions by Government consistent with proper conservation and with payment to the Government of commensurate royalties, the future would appear bright. There can be no doubt as to the course for which we all should work, for greater freedom of action will benefit all of us, including Government, itself.

Given the services of a proper weather-maker, in the shape of informed public opinion, to dispel these two clouds the American oil producer in his own country can look forward to fair weather in his industry. This climate, while not creating new oil resources, will aid in their conversion to reserves and will keep our chicken producing the golden eggs of prosperity for all of us.

SUMMARY OF OIL PRODUCTION, PROVED RESERVES AND RESOURCES
(Data after L. G. Weeks, published 1948, modified by G. F. Moulton)

	Cum. Production to —January 1, 1950—		Proved Reserves —January 1, 1950—		Resources or Estim. Ultimate Production		Percent of —Resources—	
—Country or Region—	Bill. Bbls.	Percent	Bill. Bbls.	Percent	Bill. Bbls.	Percent	Produced	Discovered
United States	38.9	63.0	24.7	31.6	110.0	18.0	35.0	57.0
Balance North America	2.6	4.2	3.0	3.8	40.0	6.6	6.5	14.0
Total North America	41.5	67.2	27.7	35.4	150.0	24.6	28.0	46.0
Venezuela	5.0	8.0	9.5	12.1	80.0	13.1	--	--
Balance South America	1.7	2.6	1.0	1.3				
Total South America	6.7	10.3	10.5	13.4	80.0	13.1	8.0	21.0
Total Western Hemisphere	48.2	77.8	38.2	48.8	230.0	37.7	21.0	37.0
Europe, excluding Russia	1.7	2.6	0.8	1.0	13.0	2.1	13.0	19.0
Middle East, incl. Egypt	3.5	5.5	33.0	42.0	155.0	25.4	2.0	24.0
Balance Asia, excl. Russia	1.0	3.1	0.4	0.5	24.0	4.0	8.0	10.0
Indonesia	0.6	1.0	1.1	1.3	30.0	4.9	2.0	5.0
Africa, excluding Egypt	--	--	--	--	8.0	1.3	--	--
Total Eastern Hemisphere, excluding Russia	7.7	12.2	35.3	44.8	230.0	37.7	3.0	18.0
Russia	6.3	10.0	5.0	6.4	150.0	24.6	4.0	7.0
Total Eastern Hemisphere	14.0	22.2	40.3	51.2	380.0	62.3	4.0	14.0
Total World	62.2	100.0	78.4	100.0	610.0	100.0	10.0	23.0
Total Foreign	23.3	37.0	53.7	68.4	500.0	82.0	4.6	14.4

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

I am spending this week in a small Connecticut town, if for no other reason than that I want a place to think about this market and the forces that make it work. During the past few weeks I've mixed my caution with buying suggestions. By this time you know the three stocks were stopped out at a loss. Taking losses isn't any new experience but just the same I find it disturbing.

I'm aware that the Korean War is held responsible for the recent break but I don't believe it had as much to do with it as generally believed. Believing that I must look for other reasons. It isn't that I am concerned with reasons as such, except when they can be applied to future action, and it is the future that interests me.

* * *

Commodities, affected by all kinds of fears, have started climbing. This is certain to be reflected in the cost of living. Because we are involved in the Far Eastern fracas there will be little political agitation to check this rise. A similar rise will almost certainly affect heavy industries. The drive to check government spending is certain to be stopped. Instead of less there will be more spending. Warnings to that effect have already been sounded by responsible sources. All this adds up to inflation — the sort of inflation we had hoped to escape.

* * *

How the stock market will take all this should be easy enough to foresee, but the market seldom does the obvious. Based on all apparent factors, the market should go up. It is so simple it is difficult to see any other answer.

* * *

But because it is so simple the chances are obvious it won't happen — at least not right away. The argument that buying blue chip stocks can't hurt you is one I find naive. When they go down they all go down. And the blue chips probably go down faster than the so-called speculatives. I can give reasons for this but there is little point. The seasoned observer will know the answer; others won't believe it no matter what arguments I present.

* * *

The sum total of this column is that having gotten out of one disturbing position, I have no intention of getting into another until I see more signs. I suggest you do the same.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

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Shorten Capital Gains Holding Period and thus Increase Revenue

1917-1941, which show, on balance, a net loss to the taxpayer and also a net deficit of revenue to the Treasury, as for example, the periods 1918-1923 and 1930-1935.

The capital gains tax is undependable and unpredictable as a source of revenue. During the years 1917-1933 when capital gains and capital losses were treated alike, as additions to income or deductions from income, the great fluctuations in capital gains tax receipts upset the budget and proved that the capital gains tax is unproductive, deceptive and deters investment and expansion when most needed. Even under the unequal treatment of gains and losses relatively little revenue was received until the holding period was shortened to six months.

The distinction between long and short term gains is arbitrary and meaningless. By waiting one day, a taxpayer in the high bracket can cut his capital gains tax from 80% to 25. That is fiscal nonsense. The capital gains tax does not reach the rich. Selling securities to take capital gains is discretionary, not mandatory. The taxpayer in the high income brackets takes practically no short term gains, taxable at high income rates. He is like a farmer with a bountiful crop rotting away because it is uneconomic to harvest it.

Only taxpayers in low income brackets can afford to take short term gains. A low flat tax would create free and stable markets and also produce revenue. A fair capital gains tax, permitting full deduction of losses from income, is not a revenue producer but an administrative nuisance. It is the most difficult and expensive feature of the tax law to administer, as Government officials concede.

Because a high capital gains tax deters taking profits by big holders, it tends to exaggerate the market's rise and, therefore, also the subsequent decline. It contributes to the instability of markets for the little fellows rush to buy in group hysteria and sell in mob panic. Therefore, though the market fluctuates violently it produces little or no revenue. Indeed, the market moves more violently than it did before capital gains were taxable.

In fact selling to establish losses during the last three months of the year has created the seasonal market pattern of a downward trend in the last quarter. Before 1917 this trend was up. A low rate and brief holding period would encourage profit taking, produce revenue, check a wild rise, encourage buying at low prices, thus stabilize stock markets and lay the basis for future capital gains tax receipts.

The price of shares on the New York Stock Exchange is relatively lower than in the principal European markets, in countries which have no capital gains tax, as I learned from foreign investment institutions on a recent trip abroad. Taking the yield on Government bonds as the yardstick, yields on stocks are much higher (or stock prices are much lower) in New York than in London, Paris, Amsterdam or Zurich. In these centers the market is free and reflects capital values more truly. Strangely enough in the same company, of which the parent company's dollar shares are listed in New York and sterling shares of a subsidiary listed in London, the yield is lower (or the price is higher) in London even though the product and the management are identical.

Because the capital gains tax makes investors hold rather than sell, it freezes funds which thus prevents the movement of risk capital from mature situations to new enterprises and new industries and new sources of employment. As Senator Connally stated in the 1942 hearings, "As to capital gains and losses, we should make it more attractive to sell, instead of offering a premium to hold."

A tax on capital gain is a tax on property and on estates. As evidence, the CIO statement to the House Committee on Ways and Means, last February, urges that in figuring the estate tax of a decedent, a tax be levied on the capital gains in addition to the tax on the original value of the property. The capital gains tax is a form of capital levy or an advance on the death duties. Indeed it is a duplicate inheritance tax. Therefore, investors tend to hold securities until death instead of risking money in new fields.

Again, **the country is in the midst of an inflation.** All prices have risen because the value of the dollar has declined. As real estate and shares rise in value, the increase represents a paper profit. **Profits realized are fictitious.** Taxing this fictitious increase at 25% as a capital gain is economically unsound and legally unjust. First the government depreciates the dollar and then when property values rise to reflect that depreciation, the government proceeds to expropriate part of the unreal increase resulting from currency depreciation, thus drying up sources of investable funds.

The false character of the capital gains tax is indicated in the government's own report. "In many instances the capital gains tax is imposed on the mere increase in monetary value resulting from the depreciation of the dollar instead of on a real increase in value." The present trend toward inflation, with the accompanying rise in the value of all assets, makes it particularly important to reconsider the capital gains tax.

In countries where the currency fell very greatly, the real evil was exposed. In several countries in Europe, the government permitted rewriting the income account and the balance sheet in terms of gold instead of depreciated paper currency and based its taxes on real values.

There is no capital gains tax in Canada or even in Laborite and regimented Britain or most other countries. Therefore, as I found out on a recent trip to Europe, foreign investors in American shares trading in Geneva, Zurich or elsewhere, can sell their shares without being liable for a capital gains tax. And they did so in the Spring of 1950. Thus the American investor is discriminated against, and holds the bag for foreigners to dump for the capital gains tax deters him from selling, particularly for the short term.

On the capital gains tax, the record shows that **the lower the rate of tax, the greater are the gains realized and the greater the tax receipts. But the higher the tax rate, the less is the gain realized and the less are the receipts.** I proved this conclusively from abundant Treasury data available in 1942. Capital gains were practically nil at high short-term rates and very substantial at low long-term rates. (See my brief in the Hearings before the House Ways and Means Committee, 77th Congress, Second Session, on the Revenue Revision of 1942.)

The Treasury for the first time segregated short-term gains from long-term gains in the report, "Statistics of Incomes for 1938." Short-term capital gains are taxed at graduated income tax rates. But long-term gains are taxes at a flat rate. These two different methods of taxing furnish a good experiment on comparative productivity of rates. In the lowest income group, short-term gains reported in 1938 were 150% of long-term gains. But in the highest income group subject to the maximum income tax, short-term gains virtually disappear. They are less than 3/10ths of 1% of long-term gains.

Following is the Treasury table for 1938 showing the relation of short-term gains taxed at high rates to long-term gains taxed at low rates.

Net Income Classes (Thousands of Dollars) Returns with Net Income	Short-Term Capital Gain	Long-Term Capital Gain	Ratio % Short to Long
Under $5	$46,000,000	$30,000,000	150.0%
$5 - $10	30,000,000	23,000,000	130.0
10 - 25	31,000,000	33,000,000	91.0
25 - 50	14,000,000	23,000,000	68.0
50 - 100	7,000,000	21,000,000	33.0
100 - 150	2,000,000	12,000,000	17.0
150 - 300	1,000,000	20,000,000	5.7
300 - 500	*	16,000,000	1.5
500 -1,000	*	22,000,000	1.1
Over 1,000	*	61,000,000	0.3

*Less than $250,000.

The above table confirms the conclusion that the higher the rate of tax on capital gains, the less the short-term gains realized and the less the Treasury receipts. Can Congress ignore these facts in framing the present tax bill?

Again, incomes under $5,000 reported $30,000,000 in long-term gains but incomes over $1,000,000 reported $60,000,000, or 200% as much. However, in short-term gains, subject to the graduated income tax, incomes under $5,000 reported $45,000,000 whereas incomes over $1,000,000 reported, not 200% as much or $90,000,000, but only $175,000, or four-tenths of 1% as much. Had all taxpayers realized short-term gains as freely as the low-rate group, the Treasury would have found $250,000,000 more gains subject to tax. The present capital gains tax is not a revenue-producing measure but a revenue-preventing measure.

Chart II of my 1942 brief compares yields of **high** taxes during the war period 1917-21 and the recovery period 1932-36 with yields of low taxes in the boom period 1925-29 and the depression period 1930-31. It shows that under **low** rates of tax on capital gains, the taxpayer realized heavily on gains and lightly on losses, thus furnishing abundant revenue to the Treasury. But under **high** rates of tax the results are reversed; heavy losses and light gains were taken thus furnishing little revenue to the Treasury.

The Treasury report for 1934 shows that small taxpayers took short-term gains because their tax rate was low. However, as the rates rose in the higher brackets, there was a sharp decline both in short-term gains realized by taxpayers and in taxes thereon paid into the Treasury. On the other hand, the tax rate was low on capital gains on securities held over 10 years. Therefore, the high-income group realized heavily on such capital gains and provided large tax receipts for the Treasury. Obviously, low rates stimulated realization of gains and tax payments to the Treasury. Exactly the same evidence is

shown in Chart III-B of my 1942 brief covering the period 1926-29 and the period 1930-33.

Shortening the holding period has resulted in a phenomenal increase of net capital gains. For the three years 1945-47, under the six months holding period, total net capital gains reported by individuals averaged $2,578 million as compared with $458 million for the years 1935-37, or 560% as much as under the long holding periods up to 10 years. The increase was undoubtedly due to the shortening of the holding period. This three-year average of $2,578 million is the highest in the history of capital gains excepting only the fantastic period 1927-29 when the average was $3,339 million. Even the boom years 1925-27 averaged only $2,354 million under the long holding periods up to 24 months. **Incidentally, the net gains for 1946 of $3,322 million was exceeded only once by the 1928 figure of $4,505 million**

Of course, shortening the holding period increased Treasury receipts. Under the long holding periods the average capital gains receipts for the active years 1935-37 was $94 million. But under the six months holding period enacted in 1942 the receipts from the tax on capital gains averaged **$446** million for the active years 1942-45, or 480% as much. **Comparing the capital gains tax at the peak of 1936 under the long holding periods with the peak of 1945 (the latest figures available) under the six months period, the receipts increased by over 420%, or from $171 to $721 million.**

Before the House Ways and Means Committee in 1942 I predicted a rise in receipts to a range of $200 to $600 million from the $30 million average for the decade 1931-40, if the holding period, then 18 months, were entirely eliminated. **Mr. Randolph Paul, then Treasury Counsel, who opposed my suggestion, thought my estimate "extravagant"** because in the year 1940 the Treasury collected apparently only $12 million. **But subsequent statistics, even under the six months period, greatly exceeded my conservative forecast.** What was the cause? The increase by over 400% cannot be due to the rise in rate from 15% to 25%, or only by 160%. Was it not the shortening of the period to six months? If so, a further reduction from six months to three months should increase the yield substantially further.

Ultimately we should try the experiment of reducing the capital gains tax to 10% and eliminate the holding period and record the results in revenue. Revenue would undoubtedly rise. There would surely be a great increase in transfer tax receipts, increase in income taxes paid by brokers, an increase in the number of new issues and a re-opening of the market for new stocks, therefore, less internal financing through undistributed profits, therefore, a greater percentage of profits distributed as dividends and necessarily more income tax receipts by the Treasury.

What is the next step? **Congress has been experimenting** since 1917 with the capital gains tax. Since 1938 **it has moved persistently in shortening the holding period.** The Revision of 1938 reduced the five holding periods ranging from under one year to over 10 years to three holding periods from under 18 months to over 24 months. In 1942 Congress further shortened the holding period to six months. The subsequent great increase in revenue vindicated this Congressional policy. Your Committee should now recommend shortening the holding period to three months. **The result should again be a great increase in revenue—an end urgently desired by the Committee and made imperative by the aggression in Korea.**

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The Money Market and Factors in Securities Analysis

tions in the security market take place for two reasons.

One is the discovery by the public in general that there is a degree of risk or safety existing that had not been anticipated by them before. The other is the change in the base rate of money, the rental value of riskless credit, "pure interest," as they call in it economic terminology.

The return of any given investment invariably consists of three things: the pure interest which is the rental value of riskless credit, the appropriate payment for risk, and payment for knowledge.

When I was dealing with men about your age 20 years ago, I made a point, and I will make it again, of drawing the distinction between price and value. Value is an inherent characteristic. Price is an acquired characteristic.

Whenever you find price materially at variance with value, you may depend upon the operation of an economic law, which is as inexorable as is the law of physics that water has a tendency to seek its own level. That law is that "price in a free market is always tending to move toward value."

How do you determine value "ex" price considerations? Well, this cost me many hours of midnight oil before I found the last characteristic for the determination of value. Simply stated value constitutes the equity in the property for the protection of principal, the equity in the demonstrated earnings for the protection of interest, and the borrowing credit of the corporation; which is the resultant of the first two factors plus history and is a mathematical expression of its reputation for fiscal responsibility.

There is such a thing as fiscal irresponsibility too. I am reminded of a situation that occurred back in 1923 when I was manager of the bond department for J. G. White, a gentleman whose activities had taken him very far afield. As a result of this he had friends in every country. At one time we were presented with an opportunity to do a deal in Brazil. It looked all right, but we weren't too sure.

I discovered that one of the salesmen had a relative who had lived in Brazil for a long time, and I asked him to bring the gentleman in. He did come in and we asked him many questions all of which were answered favorably. I then asked him if he would advise us to do the deal, and he said, "No, I have lived in the country for 17 years, and one of the things I learned is that most of them have developed a constitutional disinclination to pay debts." That is fiscal irresponsibility.

That is a thing which applies to all corporations. One duplicate the statistical background of a bond issue as compared to the statistical background of another corporation. If the first one has gone through a reorganization or receivership, invariably the credit of that particular corporation has suffered slightly by virtue of that particular piece of their history. So there is something extremely important in the analysis of the borrowing credit of the corporation itself.

Statistics vs. Judgment

I am trying to demonstrate the impossibility of dealing with security analysis on the basis purely of statistics as a background. In the first place you have a dynamic economy. You have conditions which are constantly in a state of flux. The balance sheet is a record of what that company looked like as of a given moment of time. Your earnings statement is a record of how well the company was doing for a particular *period* of time. If you take three or four consecutive balance sheets of a corporation, and you find them progressively worse, you are bound to be influenced in your judgment regarding the desirability of investing in that corporation, and vice versa.

Well, there isn't any better place in which to get your information regarding the outlook for that particular corporation and its prosperity than right in the banking figures. And it is entirely appropriate for you to look at the figures of the country in connection with the outlook for a specific corporation. I tell my friends that there should be two sets of factors with which they should be concerned in order to make their policy determinations.

One set is the internal factors, about which they know more than anyone else, but about which they cannot possibly become completely objective. If your emotions become entangled with your judgment for any reason whatever, your judgment is not to be trusted.

The other set of factors is that set relating to the outlook for business as a whole. This is so vast in the aggregate that it is impossible to take a subjective view. These factors are bound to have an influence on the outlook for your own business. Your business may constitute the exception to the rule for a short time, but it is a safe bet that sooner or later it won't do as well as you had hoped if business generally is deteriorating and disintegrating all around you.

Value of Banking Figures

Again you can't get that information any more accurately or more promptly than from the banking figures. You might be interested to know that in 1949 there were drawn considerably more than a trillion dollars' worth of checks. Does anyone know what a trillion dollars amounts to? Even with inflation that is a figure to conjure with, isn't it?

It is a little too early to form a definite opinion as to whether the impact of the Korean incident on the pocket nerve of the American people is going to be one thing or the other, but if it turns out that the people are impelled to hoard their cash against some vague and indefinite evil day in the future instead of rushing out with it to buy, the effect on business is not going to be salubrious. We will have to reserve judgment, but fortunately the picture unfolds rapidly, and we won't have to reserve judgment very long.

When I was engaged in the field of security analysis pretty actively, I decided the best way to approach it, particularly for men of your age, was not through the analysis of the *price* of securities at all. The wages of capital are interest and dividends. The rate should be regulated by the risk, other things being equal. If you can determine the risk and if you can add, to pure interest, the increment of yield necessary to compensate for that degree of risk, then you can say, for example, this particular security in a 4% money market should sell to yield 6½%.

Now what has confused so many young security analysts about the whole field of security analysis is the very thing that started me going. I hadn't been in the security business very long before I began to be amazed at what I considered to be the instinctive and intuitive judgment of the bond traders. Unfortunately, I am one of those people who are never willing to accept anybody's opinion on anything without supporting evidence. It is not a very desirable characteristic. It gets you in plenty of trouble with your superiors. An awful lot of men have the right to be wrong.

However, I am a "why" fellow, and I made up my mind to discover the reason for the intuitive judgment of the bond traders which apparently was acquired by association and absorption through the pores. In the security field you are confronted with such a multiplicity of coupons and maturities that two bonds of equal merit are more than likely to be selling five to ten points apart. If you can determine the proper yield to compensate for the degree of risk, it is not necessary to consider the coupons or maturities at all because the bond tables will give you the answer.

Just parenthetically, we decided that varying degrees of risk could be characterized by ten qualifying adjectives which would convey a distinct impression to even the lay mind. These are what we used: excellent, very good, good, very fair, fair, rather poor, poor, very poor, very bad, and hopeless.

That has to do with risk. [Illustrating on blackboard] If you evaluate various securities and put them on a chart, they will occupy certain relationships to each other. Those relationships won't change very often except as the fortunes of an entire industry or an entire system change, like the Rock Island or the Illinois Central Railroad or some one of the big utility companies.

The whole chart, however, is hung from a nail in the wall which is the pure interest rate. If that nail moves up and down, your whole chart will move up and down, and what appears to be a completely illogical crosscurrent of price trends within the securities on that chart is nothing in the world except the reaction to that movement of the chart up and down expressed through a multiplicity of coupons and maturity factors. The relationship in terms of yield will be constant.

Now, it would be a wonderful thing if you could say that the length of the cord from which the chart is suspended is a constant, but that isn't so. You need a double check on the interval between your pure interest rate and your very best credit.

Two Yardsticks

Interestingly enough this tendency of price to approximate value expresses itself through the medium of activity in the market, and if a bond is traded daily it is almost impossible for it to get very far away from its intrinsic valuation. So you have two yardsticks.

Here is your pure interest. Down here [indicating top of chart] you will find a half dozen bonds which constitute the top level credit and the best and most active bonds in that general classification. They will be selling almost invariably at what they are worth. They are your crosscheck.

Now, I said that the return on an investment was traceable to three things. The pure interest, which is the nail in the wall; payment for risk, which you can determine by the analysis of your balance sheets, plus a supplementary analysis of the banking figures to indicate the probable continuity of those balance sheets; and what about this payment for knowledge?

You get that in either one of two ways. If you find a bond is good enough so that it should be yielding 4½%, but upon investigation find that the bond is actually yielding 6%, you better go back and make sure you have not made an error. If you haven't, you have a trend, a very definite trend, upon which you can depend with confidence. However, that extra 1½% is yours for knowledge in any event. The profit that you might make out of the process of pulling that bond up to the point where the bond yields 4½% is something that may develop over a short or long period of time, or may never develop.

There are securities which are perpetually and perennially out of line. Remember in the days when the United States Steel Corp. had the Sinking Fund 5s? Those bonds which were junior to the Illinois Steel bonds and the Indiana Steel bonds always sold to yield less than the bonds which preceded them. They were more popular. Liggett and Myers had two issues of debentures outstanding, one 5% and one 7% obsolutely identical, but the fives always sold to yield a little less than the sevens because the sevens would have had to sell at a pretty high premium.

Effect of Interest Rates

As I said earlier the return on an investment depends on two things. One is the risk which can be determined as of any given period of time. You should treat your investments with as much respect as you do your teeth—take them around for a checkup every three months. That is very homely advice, perhaps a little bit vulgar, but it will stand up.

The whole chart of your securities is constantly moving up and down as your interest rate will move. Now your interest rate moves up and down in response to another very simple economic law, with which the Administration has been tinkering for some time. That is the law of supply and demand.

Well, gentlemen, you can circumvent those laws, but you can't repeal them. When we learned to fly, we learned to circumvent the law of gravity, but we didn't repeal it. All the government can do to circumvent the law is by injecting itself into the ratio as either a supplier or a demander. If you have read the Bible you know the story of Joseph and the seven lean years and the seven fat years. The trouble is that the present politicians don't work that way.

That is why we have a few extra potatoes and a few extra eggs. The government came into the picture as a demander of those things, but they have not come as a supplier except to the point where they burn them up, destroy them. The same thing happens in your money market, in the banking picture, and the commercial banks are primarily credit institutions for the purpose of facilitating trade.

Purpose of Commercial Banking

The primary purpose of the commercial bank is to discount bills. I could go into details at great lengths regarding the finance industry in its ramifications, but the commercial bankers who have the privilege of creating money are primarily in business for facilitating trade. They have an indefinite reservoir of credit at their disposal.

The commercial banker does not invest other people's money. He monetizes his own credit plus your statement. He makes a few figures in a passbook and there is your money. You can start drawing against that at once. That isn't too far removed from printing press money, but, so far, the people aren't frightened. This morning I was talking with one of the boys in the government bond firm, and he said that one of the advisers to the Federal Reserve bank, whose name I won't mention, recently suggested that if we were to have a war, an excellent way to finance the

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war would be by the issuance of government obligations sold directly to the Federal Reserve. Well, that isn't going to miss being printing press money by very much.

The banking system has a certain reservoir of credit at its disposal, and if that is not used by its banking customers in the operation of their businesses, in the self-liquidating short-term paper obligations, which are primarily the reasons for the bank's existence, they have a reservoir of credit available. That is the supply of money which impinges on the high-grade bond market.

As that credit is used up or is not used up by the demands of business you can feel the impact of the necessity for earnings (on the part of bankers) on your high-grade bond markets. It is just as simple as that. Your supply and demand factor will operate very definitely.

As to the government support—the government has quite an extensive buying power left, but there isn't any human agency big enough to "control" a market as big as the government bond market has become. The only reason they have been successful is because of the fact that people believe that they *can* be successful. The powers of government are most useful when least used. The Open Market Committee of the Federal Reserve has become the biggest syndicate manager in the history of the securities business with all of the syndicate manager's headaches including the secondary market problem.

Impact of Federal Reserve

That is a little beside the point of what I have been trying to illustrate, but the impact of the Federal Reserve upon the government bond market to keep the rates comparatively low has had a definite effect on the yield of your high-grade corporate obligations because, after all, there isn't too great a discrepancy between the two.

You figure first what your pure interest rate is, then the yield available on a half dozen securities in this particular category, whether it be rails or industrials or utilities, which are so active that their prices are likely to be coincidental with their values. Take that as your top line and fit the others into the chart on the basis of the differences in risk, and you will have a chart which will be relatively permanent in the relationship of one security to another. That is quite an exercise and it takes quite a little time, but it is very well worth while. The only reason I have explained it in such great detail is that I am a firm believer in the theory that any problem properly analyzed is three-quarters answered.

To state that another way, I am primarily interested in expressing the principles by which the determination of relative values in securities can be reached, and I have no patent or copyright on the idea. Nor do I believe my idea is the best. It was the best for me and worked out very well, and it is still in use by many bond experts. I do say to you that you should make your analysis on the basis of principles and not on the basis of details.

Someone once said that the difficulty in dealing with an accountant was the fact that he learned what he knew by rote and not by reason. Anything which upsets the very fine processes by which he has been taught to reach his conclusions is anathema to tim. I found that very difficult to believe, but when I checked with some accountants, they said it was absolutely true.

I say to you gentlemen very candidly, if you engage from choice in the field of security analysis and try to decrease your area of ignorance by the analysis of specific securities one at a time, working as hard as you can, you won't live long enough to have the thing completely licked, but if you start on the basis of principles that seem to you to be sound, such as the distinction between the price and value, and the necessity of appraising risk, the desirability of taking systems as a whole and considering that the whole thing is going to be subject to major fluctuations induced by the fluctuations in the interest rate, at least you have a set of principles to use whenever you run into a jam.

I can tell you very frankly that if you ever have occasion in business to try to reach a policy by the analysis of a series of episodes you will never get to the policy because you will never run out of episodes. If you enunciate your policy on the basis of a few simple principles, you are bound to be astonished by the number of episodes they provide their own answer, when referred to the principles.

Now, let me button that up a little more definitely. I told you that fluctuations in securities are due to two things. One is the shift in the risk factor, and the corollary shift in price as it approximates value determined by risk. The other is the basic shift that takes place with all securities when the basic rate for money shifts. That is why I said to you that security analysis should tell you how to buy the right security at the right time and at the right price.

Timing Is Important

Perhaps you don't think the timing is awfully important. But suppose you have reason to believe you are running into a somewhat higher rate picture, and you are handling a bank's portfolio. You owe it to yourself, to your depositors and directors or trustees to shorten your maturity average. It doesn't make one bit of difference whether you invest $100,000 in loans and $6,000 of them go sour, or whether you buy $100,000 worth of bonds at 106 and six months later they are selling at par.

That is exactly what you are up against in the government bond market. No one questions that in the course of time you will get the dollars that they promised you.

But if you have invested depositors' dollars — if you are a savings-fund banker—you are at the mercy of the money market, and the longer the bond the greater the fluctuation. Here is the way that works: [Illustrated by chart on the board] The angle of incidence representing the change of interest rate expresses itself in an arc. The longer the radius the greater the arc. And the arc is a matter of dollars.

That is a subject that the average portfolio manager in the average bank likes to avoid. A very easy escape is the statement that it involves a type of speculation. Look up the word "speculation" in your Latin dictionary. It doesn't mean "to gamble" at all.

Unless you are reasonably confident that you have a constant on your bands with respect to your interest rate, you have every right and you have every responsibility to operate in accordance with that simple policy. In 1934 you should have lengthened your maturity average as far as you could. In 1947 you should have shortened it as much as you could.

You buy the right securities at the right price and at the right time, and with respect to the timing, I doubt if you can determine that anywhere else as accurately as you can by the analysis of the banking figures.

Production, Prices and Gold Movements

According to the 20th Annual Report of the Bank for International Settlements covering the year ended March 30, 1950, the year 1949 will remain a memorable year in the history of gold. New tendencies made themselves felt: the distribution of newly-mined gold was more even than in the previous year and there was a striking fall in the prices paid for gold on free and black markets—reflecting in the main a growing confidence in national currencies. The chief characteristics of the year were:

"(1) The output of gold in countries which regularly published figures of production rose from the equivalent of $790 million in 1948 to $820 million in 1949 or by 3—4%. No information has become available with regard to gold production in the U. S. S. R. or the gold reserves accumulated in that country.

"The known output of gold is still some 30% below what it was in the peak year 1940. No common trend can at present be discerned; in some countries government subsidies of various kinds and (recently) devaluations have given at least a temporary stimulus, while wartime and postwar increases in costs continue to depress gold production elsewhere.

"(2) There is a significant change in the distribution of gold: for the first time since 1945 the United States has not absorbed the whole current output. True, it added $164 million to its gold reserves—which was more than any other country; but this was only one-fifth of the reported output and other countries were able to add $250 million to their reported reserves. The only important net loser of gold in 1949 was the United Kingdom, and the whole loss was regained in the first quarter of 1950. A considerable number of countries added to their gold reserves in 1949 including Italy, Switzerland, Canada, Belgium, Venezuela, the Netherlands, Uruguay and Cuba. There were also some substantial additions to unreported gold reserves (without allowing for the wholly unknown changes in the U. S. S. R. holdings).

"(3) The increase in the reported reserves corresponded to just over one-half of the new gold output in 1949. This leaves nearly $400 million to be accounted for. Probably a part, say, one-third, went into unreported official reserves, and perhaps $100 million was taken by the arts. But there is still some $150 million or more which has 'disappeared'— having very likely been sold on free or black markets.

"(4) These sales of gold have been one of the factors which helped to bring about a sharp decline in the prices quoted for gold in the free and black markets.

"As may be seen from the accompanying graph, the decline continued in the first four months of 1950, exerting an important psychological influence in many countries, since such a decline is taken to signify an intrinsic strengthening of the value of the domestic currency.

"The currency changes of September, 1949, had cast their shadow before them; not only had transactions been held up until the expected devaluations took place but, in the spring and summer, funds had moved, clandestinely and otherwise, in search of safety. In a large measure, the last three months of 1949 saw the logical reversal of these tendencies. These are, however, essentially short-term effects. The permanent consequences of the devaluations cannot be predicted on the basis of the experience gained up to the present.

"The country which chifely contributed to the increase in gold production in 1948 and 1949 was Canada — alone responsible for more than half of the net world increase in both years, its output rising by 16½% in 1949. South Africa, on the other hand, increased its output only at the rate of 1%, and, among other important gold-mining countries, the United States, Australia and British West Africa produced less in 1949 than in 1948.

"If each country is examined separately, it will be found, as might be expected, that changes in production bear a close relation to changes in profits. After all, the official price of gold has remained unaltered at $35 an ounce while costs have risen: in the United States, for instance, wholesale prices doubled between 1940 and 1949 and hourly earnings rose by 112%. In those countries in which little or nothing had been done by the government to help gold producers, production has fallen heavily. In 1949, production in the United States reached only one-third, and in Australia less than one-half, of the level of 1940. In Canada, on the other hand, production has risen by one-third since 1947, when a subsidy was introduced (amounting to 10%, on an average, and to considerably more in the case of high-cost mines) and, after a heavy fall during the war, the Canadian output has risen again to within 77% of the level reached in 1940. The Belgian Congo and the Philippines increased production by 16% to 17% in 1949; in both countries producers were allowed to sell on premium markets.

"Producers in South Africa benefited neither by a subsidy nor, to any large extent, by premium sales. They have gained, however, from a reduction in taxes and an increase in amortization allowances and, since September, 1949, by the devaluation (though this last step did not have an immediate effect on production: the output was slightly lower in the last quarter than during the middle of the year).

"Up to the time of the devaluation, the gold-mining industry's working costs had risen since 1940 by more than 35%; the reduction in taxes meant that payments to the government fell from £SA 27 million in 1940-41 to £SA 6-7 million in each of the years 1947-48 and 1948-49. But these alleviations did little more than compensate for simultaneous increases in working costs, so that profits and dividends remained about one-third below the 1940 level (and, if allowance is made for the higher cost of living, the real value of dividends per ounce of gold fell by two-thirds between 1940 and 1948). Devaluation, however, caused an immediate rise in profits and dividends, the average dividend for the year being increased by one-third.

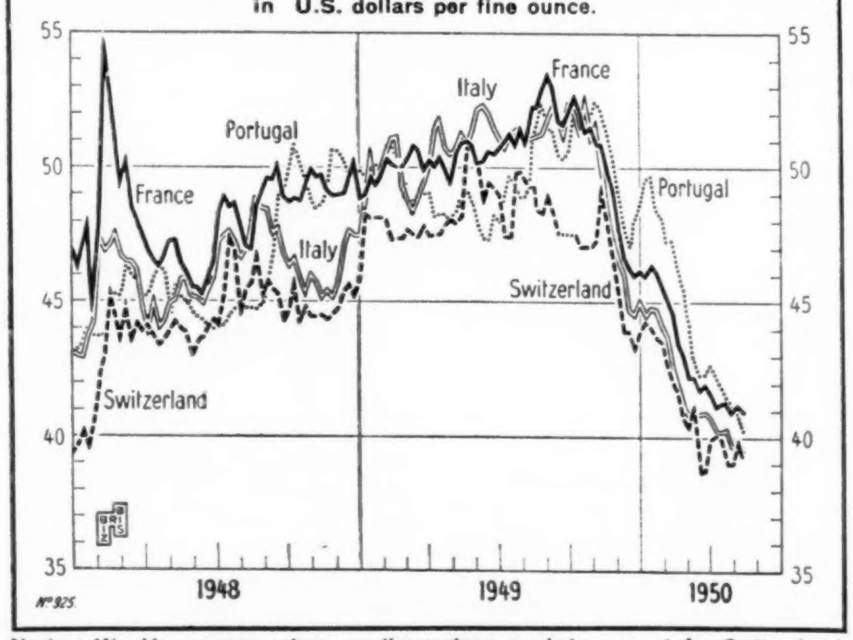
"Had the whole output for 1949 been sold at the post-devaluation prices, the receipts of the larger mines would have risen by £SA 27 million and working profits would have been nearly doubled; but costs are rising, the wages of European workers having been raised by 15% and some increase also given to native workers — and, in addition, it is found that the cost of imports from both dollar and sterling countries is going up, thus raising the price of equipment and leading to claims for higher wages.

"The direct benefits from the much-advertised sales of gold at premium prices appear to have been small. According to a statement made in March 1950 by the Finance Minister of the Union Government, the industry had sold 1,271,285 ounces at premium prices between February 1949 and February 1950—an amount representing about one-tenth of South Africa's output in 1949. The sales had been made at an average premium of only about 10%, providing an extra profit of £SA 1,692,000. Early in 1950 the sales were suspended, the fall in the price of gold having made the profit obtainable too small.

"In the United States, the gold output continued to fall during 1949 as a result of low profits and as an indirect effect of the fall in copper production, since no less than one-quarter of the U. S. gold output is obtained as a by-product of copper.

"The differential subsidy granted to the gold producers in Canada corresponded, on an average, to Can. $3.27 per ounce in 1948 and was expected to come to Can. $4.23 in 1949 at a total cost of Can. $10 million. After devaluation of the Canadian dollar had increased the price of gold by 10%, the subsidy was reduced: from the beginning of 1950, mines with a subsidy of less than Can. $3.50 per ounce were to receive nothing and reductions were to be made in subsidies to other mines, the saving thus amounting to Can. $4.5 million a year."

Price of gold bars in some markets.
Free market price given at the dollar rate for bank-notes,
in U.S. dollars per fine ounce.



Note: Weekly average prices on the various markets, except for Switzerland, where the price is given for gold in transit.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	July 16	96.0	92.6	101.1	77.8
Equivalent to—					
Steel ingots and castings (net tons)	July 16	1,830,000	1,765,200	1,927,200	1,434,300
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	July 1	5,435,350	*5,356,750	5,204,500	4,873,750
Crude runs to stills — daily average (bbls.)	July 1	†5,854,000	5,636,000	5,688,000	5,241,000
Gasoline output (bbls.)	July 1	19,497,000	19,626,000	19,055,000	18,498,000
Kerosene output (bbls.)	July 1	2,169,000	2,001,000	2,221,000	1,574,000
Gas, oil, and distillate fuel oil output (bbls.)	July 1	7,582,000	6,868,000	7,187,000	5,440,000
Residual fuel oil output (bbls.)	July 1	7,841,000	7,461,000	7,517,000	7,733,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 1	114,139,000	115,036,000	121,087,000	114,000,000
Kerosene (bbls.) at	July 1	21,229,000	20,165,000	17,369,000	23,617,000
Gas, oil, and distillate fuel oil (bbls.) at	July 1	53,335,000	50,580,000	42,449,000	64,587,000
Residual fuel oil (bbls.) at	July 1	40,543,000	41,291,000	38,991,000	65,741,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 1	783,357	810,152	709,587	644,182
Revenue freight received from connections (number of cars)	July 1	646,256	667,761	614,700	557,670
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 6	$214,379,000	$287,582,000	$226,729,000	$138,526,000
Private construction	July 6	107,171,000	177,294,000	128,391,000	42,884,000
Public construction	July 6	107,128,000	110,288,000	98,338,000	95,642,000
State and municipal	July 6	77,886,000	88,994,000	71,760,000	64,839,000
Federal	July 6	29,322,000	21,294,000	26,578,000	30,803,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 1	10,160,000	*10,622,000	9,291,000	1,300,000
Pennsylvania anthracite (tons)	July 1	1,125,000	950,000	695,000	63,000
Beehive coke (tons)	July 1	130,200	*133,600	156,100	18,100
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	July 1	262	250	261	238
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 8	5,379,924	6,115,119	5,920,827	4,982,173
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	July 6	138	156	164	153
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 4	3.837c	3.837c	3.837c	3.705c
Pig iron (per gross ton)	July 4	$46.38	$46.38	$46.33	$45.91
Scrap steel (per gross ton)	July 4	$37.67	$37.67	$40.92	$19.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 5	22.200	22.200	21.700	15.700
Export refinery at	July 5	22.425	22.425	20.425	15.925
Straits tin (New York) at	July 5	79.750	78.500	78.000	103.000
Lead (New York) at	July 5	11.000	11.000	12.000	12.000
Lead (St. Louis) at	July 5	10.800	10.800	11.800	11.850
Zinc (East St. Louis) at	July 5	15.000	15.000	14.500	9.000
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 11	102.10	102.15	102.47	103.35
Average corporate	July 11	114,85	115,04	115,63	113,31
Aaa	July 11	119.82	120.22	120.63	119.41
Aa	July 11	118.40	118.80	119.20	117.80
A	July 11	114.66	114.85	115.24	112.37
Baa	July 11	107.27	107.09	108.16	104.60
Railroad Group	July 11	105.24	109.42	110.70	107.62
Public Utilities Group	July 11	116.22	116.41	116.80	115.04
Industrials Group	July 11	119.41	119.61	119.82	117.80
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 11	2.34	2.34	2.32	2.26
Average corporate	July 11	2.91	2.90	2.87	2.99
Aaa	July 11	2.66	2.64	2.62	2.68
Aa	July 11	2.73	2.71	2.69	2.76
A	July 11	2.92	2.91	2.89	3.04
Baa	July 11	3.32	3.33	3.27	3.47
Railroad Group	July 11	3.21	3.20	3.13	3.50
Public Utilities Group	July 11	2.84	2.83	2.81	2.90
Industrials Group	July 11	2.68	2.67	2.66	2.76
MOODY'S COMMODITY INDEX	July 11	427.8	411.2	401.1	337.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 1	220,204	208,738	254,251	161,576
Production (tons)	July 1	211,058	211,027	193,563	153,817
Percentage of activity	July 1	94	94	83	75
Unfilled orders (tons) at	July 1	394,110	390,879	395,483	243,297
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	July 7	121.0	121.1	120.7	127.9
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	June 24	24,425	27,376	28,213	14,062
Number of shares—Customers' total sales	June 24	766,220	833,176	871,861	388,337
Dollar value	June 24	$33,621,684	$38,337,323	$37,572,054	$13,834,953
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	June 24	28,444	30,777	32,456	13,717
Customers' short sales	June 24	131	168	153	141
Customers' other sales	June 24	28,313	30,609	32,303	13,576
Number of shares—Customers' total sales	June 24	798,010	866,107	891,602	363,141
Customers' short sales	June 24	5,804	5,960	5,738	5,577
Customers' other sales	June 24	792,206	860,147	885,864	357,564
Dollar value	June 24	$30,963,578	$35,526,685	$35,608,478	$11,678,126
Round-lot sales by dealers—					
Number of shares—Total sales	June 24	268,280	306,310	301,690	109,400
Short sales	June 24	----	----	----	----
Other sales	June 24	268,280	306,310	301,690	109,400
Round-lot purchases by dealers—					
Number of shares	June 24	237,980	246,220	260,980	160,410
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	July 4	159.0	*157.1	157.4	153.1
Farm products	July 4	171.3	165.0	166.4	165.4
Grains	July 4	173.8	169.3	171.1	153.2
Livestock	July 4	237.1	217.5	225.7	206.7
Foods	July 5	165.2	162.7	163.2	160.3
Meats	July 4	246.6	241.5	243.9	224.0
All commodities other than farm and foods	July 4	149.0	*145.7	148.2	144.8
Textile products	July 4	137.4	*136.7	135.7	137.9
Fuel and lighting materials	July 4	133.4	*133.1	132.8	129.3
Metals and metal products	July 4	173.0	173.1	172.9	168.1
Building materials	July 4	202.1	*201.4	199.8	189.5
Chemicals and allied products	July 4	114.9	*114.3	114.9	118.0

*Revised figure. †Includes 439,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BUSINESS INVENTORIES, DEPT. OF COMMERCE NEW SERIES — Month of April: (millions of dollars):			
Manufacturing	$31,200	$31,100	$34,000
Wholesale	9,400	9,300	9,300
Retail	14,200	14,300	14,500
Total	$54,800	$54,500	$57,800
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of June:			
Total U. S. construction	$1,254,389,000	$931,153,000	$896,128,000
Private construction	728,064,000	492,953,000	436,740,000
Public construction	526,325,000	438,200,000	459,388,000
State and municipal	420,392,000	299,228,000	338,238,000
Federal	105,933,000	138,972,000	121,150,000
COAL OUTPUT (BUREAU OF MINES)—Month of June:			
Bituminous coal and lignite (net tons)	46,067,000	45,158,000	*35,476,000
Pennsylvania anthracite (net tons)	4,113,000	*4,258,000	3,403,000
Beehive coke (net tons)	570,000	*448,300	265,200
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES—Month of April (millions of dollars):			
Inventories:			
Durable	$14,000	$13,900	$16,500
Nondurabe	17,300	17,200	17,600
Total	$31,200	$31,100	$34,000
Sales	18,300	19,100	17,600
METAL OUTPUT (BUREAU OF MINES)—Month of April:			
Mine production of recoverable metals in the United States:			
Copper (in short tons)	73,609	*76,083	‡‡61,783
Gold (in fine ounces)	184,486	*189,233	‡‡162,417
Lead (in short tons)	35,211	*38,678	‡‡33,069
Silver in fine ounces)	3,525,854	*3,795,883	‡‡2,840,835
Zince (in short tons)	48,267	*51,212	‡‡48,657
METAL PRICES (E. & M. J. QUOTATIONS)—Average for Month of June:			
Copper (per pound)—			
Electrolytic domestic refinery	21.995c	19.609c	16.342c
Electrolytic export refinery	22.117c	19.876c	16.543c
Lead (per pound)—			
Common, New York	11.808c	11.721c	12.000c
Common, St. Louis	11.608c	11.521c	11.850c
Silver and Sterling Exchange—			
Silver, New York (per ounce)	72.750c	72.614c	71.500c
Silver, London (pence per ounce)	63.500d	63.409d	43.500d
Sterling Exchange (Check)	$2.80000	$2.79750	$4.02557
Zinc (per pound)—East St. Louis	14.647c	11.973c	9.548c
Tin (per pound)—			
New York Straits	77.688c	77.495c	1.03000c
New York, 99% min. (§§)	76.688c	76.495c	1.02000c
Gold (per ounce U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$70.000	$70.346	$80.269
¶Antimony (per pound), (E. & M. J.)	27.780c	27.780c	41.730c
Antimony (per pound), bulk, Laredo	24.500c	24.500c	38.500c
Antimony (per pound), in cases, Laredo	25.000c	25.000c	39.000c
Antimony (per pound), Chinese Spot	Nominal	Nominal	Nominal
Platinum, refined (per ounce)	$66.000	$66.000	$70.154
†Cadmium (per pound)	$2.08077	$2.00000	$2.00000
‡Cadmium (per pound)	$2.15577	$2.07500	$2.07500
§Cadmium (per pound)	$2.23077	$2.15000	$2.15000
Cobalt, 97%	$1.80000	$1.80000	Not avail.
Aluminum, 99% plus, ingot (per pound)	17.500c	17.192c	17.000c
Magnesium, ingot (per pound)	21.500c	20.500c	20.500c
**Nickel	48.000c	40.000c	40.000c
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS' ASSOC.)—Month of May:			
Total number of vehicles	696,893	559,311	481,467
Number of passenger cars	575,518	455,193	394,703
Number of motor trucks	120,963	103,850	86,200
Number of motor coaches	412	268	564
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of June:			
Industrials (125)	6.35	5.97	7.22
Railroads (25)	6.92	6.45	9.28
¶¶Utilities (24)	5.60	5.19	6.18
Banks (15)	4.54	4.26	4.76
Insurance (10)	3.41	3.29	3.52
Average yield (200)	6.17	5.79	7.00
NON-FARM REAL ESTATE FORECLOSURES—FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION—			
Month of March	2,044	1,716	1,384
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of April (in billions):			
Total personal income	216.9	222.8	210.5
Wage and salary receipts, total	136.7	134.9	133.9
Total employer disbursements	139.4	137.7	136.0
Commodity producing industries	59.4	58.2	57.4
Distributive industries	40.5	40.1	40.7
Service industries	17.8	17.8	17.3
Government	21.7	21.6	20.6
Less employee contributions for social insurance	2.7	2.8	2.1
Other labor income	2.4	2.4	2.1
Proprietors' and rental income	42.8	43.5	45.0
Personal interest income and dividends	18.1	17.9	17.1
Total transfer payments	16.9	24.1	12.4
Total nonagricultural income	201.7	207.1	191.8
RAILROAD EARNINGS — CLASS I ROADS (ASSOCIATION OF AMERICAN RRS.)—Month of May:			
Total operating revenues	$745,406,421	$713,820,097	$741,088,924
Total operating expenses	580,566,624	562,625,236	600,864,076
Operating ratio—per cent	77.89%	78.82%	81.08%
Taxes	$80,746,674	$74,145,684	$69,277,231
Net railway operating income before charges	67,031,547	62,216,877	57,505,223
Net income after charges (est.)	45,000,000	38,000,000	32,000,000
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of June 30	$257,376,855	$256,370,179	$252,797,635
General fund balance	5,517,087	4,463,670	3,470,403
Net debt	$251,859,768	$251,906,509	$249,327,232
Computed annual rate	------	2.199%	2.236%

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Based on platers' quotations. ¶Domestic, five tons or more but less than carload lot packed in cases, f.o.b. New York. **F.O.B. Port Colburne, N. S., U. S. duty included. §§Tin contained. ‡‡Monthly average 1949. ¶¶Not including stocks of American Tel. & Tel.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Aeroquip Corp., Jackson, Mich.
June 21 filed 162,010 shares of common stock (par $1), of which 16,455 shares are offered by the company and the remainder by 45 selling stockholders. **Underwriter**—Watling, Lerchen & Co., Detroit. **Price**—To be filed by amendment. **Proceeds**—To pay for construction of a new plant for production and storage use. **Business**—Flexible hose lines.

Alabama Gas Corp.
June 12 (letter of notification) 1,479 shares of ($2 par) common stock, at $8.30 per share, being offered pro rata to stockholders of record June 27; rights expiring July 19. Southern Natural Gas Co., parent will subscribe for 118,759 additional shares. No underwriter. Proceeds to construct improvements.

Allied Electric Products, Inc. (7/17-21)
May 24 filed 160,000 shares of 45 cent cumulative convertible preferred stock (par $6) and 100,000 shares of common stock (par $1), to be offered in units of one preferred share and one-half share of common at $7.50 per share; remaining 20,000 common shares at $4.50 per share. **Underwriter**—Hill, Thompson & Co., New York City. **Proceeds**—To repay bank loans and accounts payable, for machinery, equipment and other corporate purposes. Statement effective June 23.

American Alliance Aluminum Smelting Corp.
June 20 (letter of notification) 30,000 shares of common stock (par $1). **Price**—$10 per share. **Underwriter**—None. **Proceeds**—For working capital to finance operations. **Office**—1107 American Bldg., Seattle, Wash.

American Motorists Insurance Co., Chicago
June 28 filed 100,000 shares of capital stock (par $5) to be offered to stockholders of record July 25 at rate of one new share for each three held. **Price**—At par. **Proceeds**—For general corporate purposes. **Business**—Casualty insurance.

American Radio & Television, Inc., North Little Rock, Ark.
June 16 (letter of notification) 301,686 shares of common stock (par 10 cents). **Price**—75 cents per share. **Underwriters**—Gearhart, Kinnard & Otis, New York City. **Proceeds**—For additional working capital. **Office**—Fifth and Cornish Streets, No. Little Rock, Ark.

American Textile Co., Inc., Pawtucket, R. I.
April 26 (letter of notification) 10,000 shares of common capital stock (par $10). **Price**—$15 per share. **Underwriter**—None. **Proceeds**—To provide additional funds. **Office**—P. O. Box 637, Pawtucket, R. I.

Ampal-American Palestine Trading Corp.
April 10 filed $3,000,000 of 10-year 3% sinking fund debentures. **Underwriter** — Israel Securities Corp., New York. **Proceeds**—To increase working capital to be used for enterprises in Israel. **Business**—Developing the economic resources of Israel. Statement effective June 30.

Arkansas Power & Light Co.
May 23 filed 155,000 shares of cumulative preferred stock (par $100). **Proceeds**—To be applitd to (a) redemption on Aug. 1, 1950, at $110 per share plus dividend accruals, of all the 47,609 shares of outstanding $7 preferred and 45,891 shares of outstanding $6 preferred; and (b) the carrying forward of the company's construction program. **Bids**—Received by company up to noon (EDT) on June 19, but rejected. Only one bid was made of $100.003 per share, with a $4.95 dividend from Lehman Brothers, Equitable Securities Corp. and White, Weld & Co. (jointly). Statement effective June 12.

Arkansas Western Gas Co.
May 2 (letter of notification) 28,948 shares of common stock (par $6) to be offered at $10 per share to holders of warrants at the rate of one share for each nine now held. No underwriter. Proceeds for construction. **Office**—28 E. Center Street, Fayetteville, Ark.

Associated Natural Gas Co., Tulsa, Okla.
March 14 (letter of notification) 2,500 shares of common stock at $100 per share. No underwriter. Proceeds to build a natural gas transmission line. **Office—105 N.** Boulder, Tulsa, Okla.

• **Automatic Canteen Co. of America**
June 30 (letter of notification) $150,000 of participation in the Employees' Savings & Profit Sharing Trust Fund. Proceeds to be invested under terms of the trust agreement. **Office**—1430 Merchandise Mart, Chicago 54, Ill.

• **Badger Exploration Co., Inc., Denver, Colo.**
June 30 (letter of notification) 1,000 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To acquire properties and for working capital. **Office**—1835 Champa St., Denver, Colo.

THE FIRST BOSTON CORPORATION

Corporate and Public Financing

NEW YORK BOSTON PITTSBURGH CHICAGO
PHILADELPHIA SAN FRANCISCO CLEVELAND

Private Wires to all offices

Berven Carpets Corp., San Francisco, Calif.
June 27 (letter of notification 1,000 shares of capital stock (par $100). **Price**—$137.50 per share. **Underwriter** None. **Proceeds**—For additional working capital and to repay notes. **Office**—301 Golden Gate Ave., San Francisco, Calif.

• **Blue Grass Creosoting Service, Inc., Louisville, Kentucky**
June 27 (letter of notification) 2,000 shares of preferred stock (par $100); 8,000 shares of class A common stock (no par); and 4,500 shares of class B common stock (no par). **Price**—For preferred, $100 per share; for class B common stock, $15 per share. **Underwriter**—None. **Proceeds**—For organizational expenses. **Office**—Kentucky Home Life Bldg., Louisville 2, Ky.

Cameron (Wm.) Co.
June 14 filed 179,833 shares of capital stock (par $7), of which 120,833 will be sold to the public and 59,000 offered to employees. Of the total offering, 91,333 shares will be sold by the company and 29,500 by three stockholders. **Underwriter**—Reynolds & Co., New York. **Price**—To public, $19.50 per share; to employees, $16.95 per share. **Proceeds**—To reduce a loan and for general corporate purposes. **Business**—Distributor of building materials. Temporarily postponed.

Canadian Superior Oil of California, Ltd. (7/13)
June 27 filed 2,150,000 shares of common stock (par $1). **Price**—To be filed by amendment. **Underwriter**—Dillon, Read & Co. Inc. **Proceeds**—For geological and drilling operations in Canada.

Canam Mining Corp., Ltd., Vancouver, B. C.
Aug. 29 filed 1,000,000 shares of no par value common stock. **Price**—800,000 shares to be offered publicly at 80 cents per share; the remainder are registered as "bonus shares." **Underwriter**—Reported negotiating with new underwriter. **Proceeds**—To develop mineral resources Statement effective Dec. 9. Indefinite

Caspers Tin Plate Co., Chicago, Ill.
June 16 filed 150,000 shares of common stock (par $1), of which 50,000 shares are to be sold by company and 100,000 shares by three stockholders. **Price**—To be filed by amendment. **Underwriters**—F. Eberstadt & Co. Inc. and Shillinglaw, Bolger & Co. **Proceeds**—Proceeds to company, together with term loan of $1,000,000 from insurance firm, will be used to pay existing long-term obligations and the balance to be used as working capital. Temporarily postponed.

• **Castle Mountain Mining Co., Salt Lake City, Utah**
June 30 (letter of notification) 200,000 shares of common stock. **Price**—50 cents per share. **Underwriter**—None. **Proceeds**—For mine development and production. **Office**—1108 First Security Bank Bldg., Salt Lake City, Utah.

Citizens Credit Corp., Washington, D. C.
June 2 (letter of notification) 3,000 shares of class A common stock (par $12.50) and 1,000 shares of class B common stock (par 25 cents), to be sold in units of three shares of class A stock and one share of class B stock. **Price**—$44.50 per unit. **Underwriter**—Emory S. Warren & Co., Washington, D. C. **Proceeds**—For general funds. **Office**—1707 Eye St., N. W., Washington, D. C.

Citizens Telephone Co., Decatur, Ind.
April 27 (letter of notification) 3,000 shares of 4½% preferred stock, non-convertible. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For plant additions and conversion to dial operations. **Office**—240 W. Monroe St., Decatur, Ind.

• **Columbia Gas System, Inc. (8/1)**
July 7 filed $90,000,000 of debentures, series B, due 1975. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Proceeds**—To retire on Sept. 9 $45,000,000 of 3¼% debentures due April 1, 1973; $20,000,000 of 3% debentures due March 1, 1974; and $13,000,000 of 3% debentures due Aug. 1, 1974; and the remainder ($12,000,000) for expansion program. **Bids**—Tentatively planned to be received on Aug. 1 but may be postponed until the Fall, depending on market conditions.

Combustioneering Inc., Cincinnati, Ohio
June 5 filed 30,000 shares of class A capital stock. **Underwriter**—None named as yet. **Price**—$100 a share. **Proceeds**—For offices and equipment, expenses and working capital. **Business**—Research in field of smelting and heating-treating of metals.

• **Consolidated Tin Co., Salt Lake City, Utah**
June 30 (letter of notification) 400,000 shares of common stock and 400,000 shares of preferred stock. **Price**—25¢ per share. **Underwriter**—None. **Proceeds**—To equip and operate mine. **Office**—16½ So. Main St., Salt Lake City, Utah.

Consumers Power Co., Jackson, Mich.
June 23 filed 499,903 shares of common stock (no par) to be offered present holders at the rate of one new share for each 10 held, with an oversubscription privilege. **Underwriter**—To be named in an amendment, along with offering price. Five months ago an offering of 454,457 shares of common stock to common stockholders was underwritten by a group headed by Morgan Stanley & Co. **Price**—Expected to be not less than $33 per share. **Proceeds**—For construction. **Offering**—Postponed.

Continental Copper & Steel Industries, Inc.
June 30 (letter of notification) 18,750 shares of common stock (par $2) and 1,500 shares of 5% cumulative preferred stock (par $25), to be issued at par (to satisfy certain claims amounting to $75,000). **Underwriters**—P. W. Brooks & Co., Inc., New York.

• **Cowles Co., Inc., Cayuga, N. Y.**
July 10 (letter of notification) 2,644 shares of capital stock (par $5). **Price**—$20 per share. **Underwriter**—None. **Proceeds**—To retire indebtedness, for working capital, etc.

• **Cribben & Sexton Co., Chicago, Ill.**
July 3 (letter of notification) 2,000 shares of common stock (par $5) and 160 shares of preferred stock (par $25). **Price** — $4.50 per share for common and $13 for preferred. **Underwriters**—David A. Noyes & Co. and Swift-Henke Co., Chicago, Ill. **Proceeds** — To a selling stockholder.

Cristina Mines, Inc., N. Y. City
May 24 filed 400,000 shares of common stock (par 50 cents). **Underwriter**—Max Wolberg, a director of company. **Price**—$1 per share. **Proceeds**—For development of tonnage and mining and shipment of ore.

• **Crown Capital Corp., Wilmington, Del.**
July 3 (letter of notification) $20,000 of 5% subordinated debentures due 1981. **Price**—At principal amount. **Underwriter**—Hodson & Co., New York. **Proceeds**—For general funds.

Dental Research Associates, Inc. (Pa.)
June 27 (letter of notification) 12,000 shares of common stock (par $1). **Price**—$10 per share. **Underwriter**—None. **Proceeds**—For working capital and operating expenses.

• **Denver Chicago Trucking Co., Inc., Denver, Colorado**
June 30 (letter of notification) 10,000 shares of common stock. **Price**—$10 per share. **Underwriter**—Peters, Writer & Christensen, Inc., Denver. **Proceeds**—To go to selling stockholders.

Diana Stores Corp.
June 28 (letter of notification) 12,200 shares of common stock, of which an offer of rescission will be made of 6,700 shares heretofore sold during February and March, 1950, at an average price of $8.37½ per share and the remaining 5,500 shares will be offered at market (estimated at $7.75 per share). **Underwriter**—Hardy & Co., New York. **Proceeds**—To selling stockholder.

Dome Exploration (Western) Ltd., Toronto, Canada
Jan. 30 filed $10,000,000 of notes, due 1960, with interest at 1% in the first year, 2% in the second year, and 3% thereafter, and 249,993 shares of capital stock (par $1). To be sold to 17 subscribers (including certain partners of Carl M. Loeb, Rhoades & Co., State Street Investment Corp. and State Street Research & Management Co.) **Underwriter**—None. **Proceeds**—For general funds. **Business**—To develop oil and natural gas properties in Western Canada.

• **Dualoc Drive, Inc., Rockford, Ill.**
July 3 (letter of notification) 3,000 shares of class A stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For machinery and general corporate purposes. **Office**—700 20th St., Rockford, Ill.

Eastern Stainless Steel Corp.
June 7 filed 100,000 shares of capital stock (par $5) to be offered to stockholders at the rate of one new share for each three held, with oversubscription privilege. **Underwriter**—Allen & Co., New York. **Price**—To be filed by amendment. **Proceeds** — To pay bank loans and for working capital. **Business** — Stainless steel plates and sheets. Offering postponed.

• **Ecor, Inc., New York City**
July 5 (letter of notification) 270 shares of common stock. **Price**—$1,000 per share. **Underwriter**—None. **Proceeds**—For working capital, etc. **Office**—Room 4329, 30 Rockefeller Plaza, New York 20, N. Y.

Even-Air Corp., New York City
June 16 (letter of notification) 85,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Underwriter**—None. **Proceeds**—To promote sales, pay expenses and for working capital. **Office**—464 11th Avenue, New York 18, N. Y.

Fedders-Quigan Corp. (7/19)
June 21 filed 103,402 shares of series A cumulative convertible preferred stock (par $50) expected to be offered to common stockholders of record July 19 on basis of one preferred share for each 12 shares held; rights expected to expire Aug. 4. **Price**—To be filed by amendment, along with dividend rate. **Underwriter**—Smith, Barney & Co., New York. **Proceeds**—To pay promissory note, to complete purchase of a new plant at El Monte, Calif., and for additional working capital.

First Security Corp. of Nevada, Reno, Nev.
June 14 (letter of notification) 50,000 shares of common capital stock (par 10 cents). **Price**—$5 per share. **Underwriter**—None. **Proceeds**—To buy instalment sales contracts and for investment in selected common stocks of other corporations. **Office**—511 W. 3rd St., Reno, Nev.

First Springfield Corp., Springfield, Mass.
May 29 (letter of notification) 5,471 shares of common stock. **Price**—$15 per share. **Underwriter** — Springfield Mortgage Corp., Springfield 3, Mass. **Proceeds** — For working capital.

Fleetwood Airflow, Inc., Wilkes-Barre, Pa.
April 20 (letter of notification) 79,050 shares of common stock (par 50 cents) to be offered first to common stockholders. **Price**—$1 per share to stockholders and $1.25 to public. **Underwriter**—None. **Proceeds**—For working

capital, remaining $28,000 being offered to six creditors in payment of debt. **Office**—421 No. Pennsylvania Ave., Wilkes-Barre, Pa.

Fleming-Hall Tobacco Co., Inc., N. Y.
June 30 (letter of notification) 180,000 shares of common stock (par $1). **Price**—$1.25 per share. **Underwriter**—Carstairs & Co., 1421 Chestnut Street, Philadelphia 2, Pa., will act as financial adviser. **Proceeds**—To be added to general funds. **Office**—595 Fifth Avenue, New York, N. Y.

Florala (Ala.) Telephone Co.
June 29 (letter of notification) 1,200 shares of 4% cumulative preferred stock. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds**—To extend and modernize plant, lines and other telephone facilities.

Front Range Mines, Inc.
June 2 (letter of notification) 100,000 shares of common capital stock (par $1). **Price**—$1.25 per share. **Underwriter**—Blair F. Claybaugh & Co., New York. **Proceeds**—For operating capital. Publicly offered July 12.

General Radiant Heater Co., Inc.
May 3 filed 170,000 shares of common stock (par 25¢) **Price**—$3 per share. **Underwriter**—Mercer Hicks Corp., New York. **Proceeds**—For plant and warehouse, advertising research, working capital, etc. Temporarily postponed.

General Shoe Corp., Nashville, Tenn.
June 30 filed a maximum of 32,885 shares of common stock (par $1) to be offered on a share-for-share basis in exchange for outstanding preferred stock of W. L. Douglas Shoe Co. No underwriter.

General Telephone Corp.
June 12 filed 199,350 shares of common stock (par $20) being offered to common stockholders of record July 6 in the ratio of one new share for each six shares held. The offering will include an oversubscription privilege. Rights will expire on July 19. **Price**—$25 per share. **Underwriters**—Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp. and Mitchum, Tully & Co. **Proceeds**—To purchase additional common stock of operating subsidiaries, and to make advances to these companies pending the permanent financing of new construction. Statement effective July 6.

Geneva Telephone Co., Geneva, Ohio
June 13 (letter of notification) $25,000 of 15-year 3¼% series A first mortgage bonds, due 1964. **Underwriter**—The Ohio Co., Columbus. **Proceeds**—To purchase equipment. **Price**—Expected at 101.75.

Georgia Pacific Plywood & Lumber Co.
June 27 (letter of notification) 4,000 shares of common stock (par $1). **Price**—$14.50 per share. **Underwriter**—Reynolds & Co., New York. **Proceeds**—To selling stockholder. Offering subsequently withdrawn. Placed privately.

Globe Hill Mining Co., Colorado Springs, Colo.
May 26 (letter of notification) 5,885,000 shares of common stock. **Price**—At par (one cent per share). **Underwriters**—George C. Carroll Co., Denver; Inter-Mountain Shares, Inc., Denver; and M. A. Cleek, Spokane, Wash. **Proceeds**—For mining equipment.

Granville Mines Corp., Ltd., British Columbia, Canada
Feb. 16 filed 100,000 shares of common non-assessable stock (par 50c). **Price**—35c per share. **Underwriter**—None. **Proceeds**—To buy mining machinery and for working capital. Statement effective May 10.

Gulf Atlantic Transportation Co., Jacksonville, Florida
May 27, 1949, filed 620,000 shares of class A partic. ($1 par) stock and 270,000 shares (25c par) common stock. **Offering**—135,000 shares of common will be offered for subscription by holders on the basis of one-for-two at 25 cents per share. **Underwriters**—Names by amendment and may include Blair, Rollins & Co., Inc.; John J. Bergen & Co. and A. M. Kidder & Co. on a "best efforts basis." **Price**—Par for common $5 for class A. **Proceeds**—To complete an ocean ferry, to finance dock and terminal facilities, to pay current obligations, and to provide working capital. Statement effective May 10.

• **Gulf Stream Frozen Foods, Inc., Miami, Fla.**
June 30 (letter of notification) 100,000 shares of 6% preferred stock (par $1), each share convertible into two shares of common stock one year after date of issuance. **Price**—$3 per share. **Underwriter**—None. **Proceeds**—To buy sea food for distribution. **Office**—26 N. E. 27th St., Miami, Fla.

Haloid Co., Rochester, N. Y.
June 16 filed 47,183 shares of common stock (par $5) offered common stockholders of record July 6 on basis of one share for each three shares held. Rights will expire July 24. **Price**—$28.50 per share. **Underwriter**—The First Boston Corp. **Proceeds**—For general corporate purposes. **Business**—Sensitizing photographic and photocopy papers and manufacturing photocopy cameras, papers and other photographic supplies. Statement effective July 7.

• **Harvesters Casualty Co., Denver, Colo.**
July 6 (letter of notification) $75,000 of 6% debentures, in denominations of $500 each; callable at 105 and convertible into common stock at rate of 21 shares per debenture. **Price**—At principal amount. **Underwriter**—None. **Proceeds**—For deposit with Colorado Insurance Commissioner. **Office**—810—14th St., Denver, Colo.

Harvill Corp., Los Angeles, Calif.
June 16 (letter of notification) 150,000 shares of common stock (par $1) to common stockholders of record June 26 on basis of one share for each four held, with an oversubscription privilege; rights expire July 31. **Price**—70 cents per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—6251 W. Century Blvd., Los Angeles 45, Calif.

NEW ISSUE CALENDAR

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July 17, 1950

Allied Electric Products, Inc. .... Pfd. & Com.
Sightmirror Television Corp. .... Common
Southern Electrical Corp., Inc. .... Preferred

July 18, 1950

Canadian Superior Oil of California, Ltd. .... Com.
Chicago, Rock Island & Pacific RR. noon (CDT) .... Equip. Trust Ctfs.
Rochester Telephone Corp. .... Common
Texas Illinois Natural Gas Pipeline Co. .... Notes & Com.

July 19, 1950

Fedders-Quigan Corp. .... Preferred

July 20, 1940

United States Plywood Corp. .... Preferred

July 25, 1950

Mutual Telephone Co. .... Bonds & Pfd.
Public Service Co. of Colorado .... Debentures & Pfd.

July 27, 1950

Pacific Petroleums, Ltd. .... Common

August 1, 1950

Columbia Gas System, Inc. .... Debentures

• **Hi-Gravity Oil Co., Inc., Salt Lake City, Utah**
July 3 (letter of notification) 700,000 shares of common stock (par 10 cents), of which 500,000 shares are for account of company and 200,000 shares for account of two selling stockholders. **Price**—At par. **Underwriter**—None. **Proceeds**—For oil and gas leases and development.

Higgins, Inc., New Orleans, La.
May 23 (letter of notification) 300,000 shares of common stock now offered to common stockholders of record May 12, with rights expiring July 20. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—Industrial Canal Plant, New Orleans, La.

• **Holdeman Petroleum, Inc., San Antonio, Tex.**
July 8 (letter of notification) 267,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For development of oil business. **Office**—115 St. Charles Street, San Antonio, Texas.

Industrial Stamping & Mfg. Co., Detroit
July 6 filed (by amendment) $500,000 of first mortgage 5 bonds due 1967 (with warrants to purchase 60,000 shares of common stock) and 400,000 shares of common stock (par $1). Of the latter, 272,000 shares will be publicly offered and 28,000 shares will be offered to certain officers and directors of the company; 60,000 shares to be reserved for stock options; and 40,000 shares to be optioned to the underwriter of the bonds. **Price**—of bonds, 100; and of stock to public and employees, $1 per share. **Underwriters**—For bonds, P. W. Brooks & Co., Inc.; for stock, Baker, Simonds & Co. **Proceeds**—To pay mortgage and certain debts, and balance added to working capital, part of which will be used to reduce bank loans. **Offering**—Expected early in August.

Interstate Finance Corp., Dubuque, Iowa
June 14 (letter of notification) 4,000 shares of common stock (par $5) and 2,000 shares of B common stock (par $5). **Price**—$25 per share. **Underwriter**—None. **Proceeds**—To increase working capital. **Office** — 1157 Central Ave., Dubuque, Ia.

• **Jaco Realty, Inc., Portland, Me.**
July 6 (letter of notification) $100,000 of 3% sinking fund debentures. **Price**—At 100. **Underwriter**—None. **Proceeds**—To buy land and build a shoe factory. **Office**—14 Spring Street, Portland, Me.

Kauai Engineering Works, Ltd., Lihue, Hawaii
June 23 (letter of notification) 98,000 shares of common stock (par $1). **Price**—$1.10 per share. **Underwriter**—Ross & Co., Box 2665, Honolulu, T. H. **Proceeds**—For working capital. **Co.'s Address**—Box 1589, Lihue, T. H.

Kentucky Utilities Co., Lexington, Ky.
June 2 filed $3,500,000 of first mortgage bonds, series C, due July 1, 1980. **Proceeds**—For property additions. **Underwriters**—Issue was awarded at competitive sale on July 11 to Kidder, Peabody & Co. and White Weld & Co. on their bid of 100.531 naming a 2⅞% interest rate. Reoffering expected this week at 101.108, to yield approximately 2.82% to maturity.

• **Kimball Mines, Inc., Spokane, Wash.**
July 3 (letter of notification) 375,000 shares of capital stock to be offered to holders of ore production certificates. **Price**—10 cents per share. **Underwriter**—None. **Proceeds**—To complete development of mining claims. **Office**—1229 Old National Bank Building, Spokane 8, Wash.

Lakeland Marine Base, Inc.
June 29 (letter of notification) $25,000 of 10-year 6% debentures due Jan. 1, 1960, and 2,500 shares of common stock (par 20 cents), to be offered in units of $1,000 of debentures and 100 shares of common stock at $1,000 per unit. **Underwriter**—Pulis, Dowling & Co., New York. **Proceeds**—To purchase property and for working capital. **Office**—Lake Hopatcong, N. J. To be placed privately.

Leigh Foods, Inc. (N. Y.)
June 30 (letter of notification) 300,000 shares of capital stock (par 10 cents). **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For working capital and general corporate purposes. **Office**—630 Fifth Avenue, New York 20, New York.

Louisiana Power & Light Co.
May 23 filed 90,000 shares of preferred stock (par $100). **Proceeds**—To be used to redeem, at $110 per shart plus dividend accruals, the 59,422 shares of outstanding $6 preferred stock, and for construction and other purposes. **Bids**—Received by company up to noon (EDT) on June 19, but rejected. Three bids were made as follows: Union Securities Corp., $100.40 per share with a $4.65 dividend; Blyth & Co., Inc., and Equitable Securities Corp. (jointly), $100.10 with a $4.65 dividend; and W. C. Langley & Co. and First Boston Corp. (jointly), $100.30 with a $4.80 dividend. Statement effective June 12.

Loven Chemical of California, Newhall, Calif.
May 31 (letter of notification) 282,250 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—Floyd A. Allen & Co., Inc., Los Angeles, Calif. **Proceeds**—To buy land, build a plant and equip it to produce so-called "impact" plastics. **Office**—244 S. Pine St., Newhall, Calif.

Magnavox Co., Fort Wayne, Ind.
June 19 (letter of notification) 5,500 shares of common stock (par $1). **Price**—$18 per share. **Proceeds**—To Richard A. O'Conner, President of the company. **Underwriter**—Francis I. DuPont & Co., Chicago. **Office**—2131 Bueter Road, Fort Wayne, Ind.

• **Maltine Co., Morris Plains, N. J.**
July 6 (letter of notification) 3,000 shares of common stock (par $1), to be offered to employees about July 18. **Price**—$5 per share less than bid price on day preceding offering date. **Proceeds**—For general corporate purposes.

Market Wholesale Grocery Co. (Calif.)
June 19 (letter of notification) 5,000 shares of preferred (par $50) stock and 5,000 shares of common stock (par $10) in units of one share of preferred and one share of common stock at $60 per unit. No underwriter. Proceeds for working capital. **Office**—1600 E. 6th St., Los Angeles, Calif.

Maxon, Inc., Detroit, Mich.
June 22 (letter of notification) 1,000 shares of 6% cumulative preferred stock (par $50) and $200,000 of 7% bonds (in units of $200 each). **Price** — At principal amount of each. **Underwriter**—None. **Proceeds**—To provide working capital and funds for the "ultimate purchase of the common stock of retiring executives and subsequent resale on credit to junior executives." **Office**—2761 E. Jefferson Ave., Detroit, Mich.

• **Mercantile Credit Corp., Wichita, Kansas**
June 30 (letter of notification) 200,000 shares of common stock (par $1). **Price**—$1.50 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—609 Scott St., Wichita, Kan.

Merry Brothers Brick & Tile Co., Augusta, Ga.
June 15 (letter of notification) 1,250 shares of 5% cumulative preferred stock. **Price**—At par ($100 per share). **Underwriter**—Johnson, Lane, Space & Co., Inc. **Proceeds**—To Ernest B. Merry, Jr., Vice-President and General Manager, the selling stockholder.

Mid-States Equipment Co., Detroit, Mich.
June 2 (letter of notification) 3,148 shares of common stock. **Price**—$1 per share. **Underwriter**—Greenfield, Lax & Co., Inc., New York, N. Y. **Proceeds**—To Greenfield, Lax & Co., Inc.

Middle South Utilities, Inc.
June 1 filed 400,000 shares of common stock (no par) to be offered to preferred stockholders of three subsidiaries—Arkansas Power & Light Co., Louisiana Power & Light Co. and Mississippi Power & Light Co. **Underwriter**—Equitable Securities Corp will serve as "dealer-manager." **Deposits** — May be accepted between June 26 and July 14. (See also listings of Arkansas, Louisiana and Mississippi companies elsewhere in these columns.)

Middlesex Water Co., Newark, N. J.
Feb. 9 (letter of notification) 5,200 shares of common stock offered to common stockholders of record March 17 at $50 per share on a one-for-five basis. **Underwriter**—Clark, Dodge & Co. **Proceeds**—To pay notes and for additional working capital. Expected this month.

Miles Laboratories, Inc., Elkhart, Ind.
June 23 (letter of notification) 2,500 shares of common stock (no par). **Price**—$16.50 per share. **Underwriter**—Cohu & Co., New York City. **Proceeds**—To two selling stockholders.

Miller (Walter R.) Co., Inc.
March 6 (letter of notification) 1,000 shares of 6% cumulative preferred stock at par ($100 per share). **Underwriter**—George D. B. Bonbright & Co., Binghamton, N. Y. **Proceeds**—To assist in acquisition of 1216 shares of company's common stock

Mississippi Power & Light Co.
May 23 filed 85,000 shares of cumulative preferred stock (par 100). **Proceeds**—To be used to redeem at $110 per share plus dividends, the outstanding 44,476 shares of $6 preferred stock and for construction and other corporate purposes. **Bids**—Received by company up to noon (EDT) on June 19 but rejected. Four bids were made as follows: Union Securities Corp., $100.10 per share with a $4.80 dividend; Lehman Brothers, $100.551 with a $4.85 div.; W. C. Langley & Co. and First Boston Corp. (jointly), $100.30 with a $4.90 dividend; and Blyth & Co.,

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Inc., Equitable Securities Corp., Shields & Co., White, Weld & Co. and Kidder, Peabody & Co. (jointly), $100.19 with a $4.90 dividend. Statement effective June 12.

● **Mohawk Business Machines Corp.**
July 5 (letter of notification) 10,148 shares of common stock (par 10 cents). **Price**—At the market (about $1.12½-$1.25 per share). **Underwriter**—None. **Proceeds**—To Mercer Hicks. **Office**—743 Fifth Avenue, New York, N. Y.

Mutual Credit of Cincinnati, Inc., Cincinnati, O.
June 7 (letter of notification) 1,200 shares of common stock (no par) and 1,000 shares of preferred stock (par $100). **Price**—$25 per share for common and $100 for preferred. **Underwriter**—None. **Proceeds**—To increase available capital for loan business. **Office**—123 E. 6th St., Cincinnati, O.

Mutual Telephone Co., Honolulu, Hawaii (7/25)
June 27 filed $1,000,000 first mortgage bonds, series G, due 1980, and 100,000 shares of preferred stock, series C (par $10), the new preferred stock to be offered initially to common stockholders and employees of the company at rate to be filed by amendment. **Price**—Of bonds to be filed by amendment; of preferred, at par. **Underwriter**—Kidder, Peabody & Co. **Proceeds**—For construction and expansion program.

National Automotive Fibres, Inc.
June 19 filed 140,000 shares of capital stock (par $1). **Price**—To be related to the current market price at the time of sale. **Underwriter**—Reynolds & Co., New York. **Proceeds**—To purchase assets of Federal Leather Co. (An additional 10,000 shares were to be sold to Louis M. Plansoen, President of Federal, at the same price.) Proposed offering cancelled on June 29. Deal off.

Norlina Oil Development Co., Washington, D. C.
March 28 filed 600 shares of capital stock (no par.) To offer only sufficient shares to raise $1,000,000 at $5,000 per share. No underwriter. Proceeds to be used to explore and develop oil and mineral leases. Statement effective May 22.

Norris Oil Co., Ventura, Calif.
June 9 (letter of notification) 5,000 shares of common stock (par $1), to be sold at the market price (of from $5 to $5.50 per share) through First California Co., Holton, Hull & Co., Dempsey-Tegeler & Co. and Morgan & Co., Los Angeles; and James Ebert Co., Bakersfield, Calif. Proceeds go to Eva M. Halliburton, Fresno, Calif., the selling stockholder. **Office**—182 W. Ramona St., Ventura, Calif.

North American Acceptance Corp.
June 26 (letter of notification) 20,000 shares of 60-cent dividend series cumulative preferred stock (par $5). **Price**—$10 per share. **Underwriter**—None. **Proceeds**—To increase notes receivable and for working capital. **Office**—765 W. Lancaster Avenue, Bryn Mawr, Pa.

Northern Illinois Coal Corp., Chicago
May 10 (letter of notification) up to 2,000 shares of common stock (no par) to be sold at the market price (between $20 and $22 per share) by T. Howard Green, a Vice-President of the company. **Underwriter**—Faroll & Co., Rogers & Tracy and Shields & Co., Chicago.

Northwestern Public Service Co., Huron, S. D.
June 9 filed 49,200 shares of common stock (par $3) to be offered to present stockholders at rate of one share for each 10 held. **Underwriter**—A. C. Allyn and Co., Inc., New York. **Price**—To be filed by amendment. **Proceeds**—For construction expenditures. Postponed temporarily.

Oceanic Oil Co., Los Angeles, Calif.
June 19 (letter of notification) 197,672 shares of capital stock (par $1). **Price**—$1.50 per share. **Underwriter**—None. **Proceeds**—To pay bank loans and increase working capital. **Office**—811 W. 7th St., Los Angeles, Calif.

Ohio Oil & Gas Co.
May 5 (letter of notification) 1,100 shares of common stock now held in treasury. **Price**—50 cents per share. **Underwriter**—None. To be offered through Preston, Watt and Schoyer. **Proceeds**—Toward repayment of bank loans.

Orchards Telephone Co., Orchards, Wash.
March 16 (letter of notification) 500 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To modernize plant.

● **Orient (Wash.) Eureka Gold Mines Co.**
June 29 (letter of notification) 332,324 shares of common stock (par 10 cents). **Price**—50 cents per share. **Underwriter**—None. **Proceeds**—To equip and develop mine.

Pacific Petroleums Ltd. (7/27)
June 30 filed 900,000 shares of common stock (par $1-Canadian). **Price**—To be filed by amendment. **Underwriter**—Eastman, Dillon & Co. **Proceeds**—To pay bank loan and for corporate purposes, including development of oil and gas lands.

Pan American Gold Ltd., Toronto, Canada
July 20, 1948 filed 1,983,295 shares of common stock (par $1). Underwriters may be brokers. **Price**—45 cents per share. **Proceeds** — Mainly for development. Statement effective April 10, 1950.

Power Petroleum Ltd., Toronto Canada
April 25, 1949, filed 1,150,000 shares ($1 par) common of which 1,000,000 on behalf of company and 150,000 by New York Co., Ltd. **Price**—50 cents per share. **Underwriters**—S. G. Cranwell & Co., New York. **Proceeds**—For administration expenses and drilling. Statement effective June 27, 1949.

● **Prestressed Concrete Corp., Kansas City, Mo.**
July 5 (letter of notification) 2,500 shares of 5% cumulative preferred stock (par $100) and 7,500 shares of com. stock (par 10 cents), to be offered in units of one preferred share and three common shares. **Price**—$100.30 per unit. **Underwriter**—Burke & MacDonald, Kansas City, Mo. **Proceeds**—For working capital. **Office**—3543 Broadway, Kansas City, Mo.

Public Service Co. of Colorado (7/25)
June 26 filed $7,000,000 of convertible debentures, due 1960, and 100,000 shares of cumulative preferred stock (par $100). **Underwriters**—To be determined by competitive bidding, along with prices, interest rate on debentures and dividend rate on preferred stock. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., and Smith, Barney & Co. (jointly); Lehman Brothers; First Boston Corp.; Harris, Hall & Co., Inc.; Kidder, Peabody & Co. Probable bidders for preferred: Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Lehman Brothers; First Boston Corp., Boettcher & Co. and Bosworth, Sullivan & Co.; Kuhn, Loeb & Co. and Harris, Hall & Co., Inc. (jointly.) **Proceeds**—For construction.

Rainbow Onyx Co., Phoenix, Ariz.
June 8 (letter of notification) 80,000 shares of common stock (par $1). **Price**—$1.50 per share. **Underwriter**—None. **Proceeds**—For machinery, equipment and operating capital. **Address**—P. O. Box 6112, 3210 South 19th Ave., Phoenix, Ariz.

● **Raytheon Manufacturing Co., Waltham, Mass.**
July 12 filed 289,459 shares of common stock (par $5), to be offered to present holders of common stock at rate of one share for each five shares held. **Price**—To be filed by amendment. **Underwriters**—Hornblower & Weeks and Paine, Webber, Jackson & Curtis. **Proceeds**—For working capital. **Business**—Electronic tubes and equipment for television and radio sets.

● **Re-No Chemical Corp., Baltimore, Md.**
July 3 (letter of notification) 2,500 shares of common stock (no par). **Price**—$10 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—1314 West Fairmount Ave., Baltimore, Md.

Refrigeration, Inc., Reno, Nev.
June 19 (letter of notification) 200,000 shares of common stock to be offered at par ($1 per share), through Gerald B. James, Reno. Proceeds for equipment, installations, manufacturing and reserve.

Reid Brothers, Ltd., San Francisco, Cal.
April 3 (letter of notification) 10,000 shares of preferred stock. **Price** — At par ($10 per share.) **Underwriter**—None. **Proceeds**—To restore depleted stocks, buy new items and for additional working capital.

● **Reorganized Silver King Divide Mining Co.**
July 6 (letter of notification) 55,000 shares of capital stock (par 10 cents). **Price**—16 cents per share. **Underwriter**—None. **Proceeds**—To pay property purchase obligations and replace working capital. **Office**—139 N. Virginia Street, Reno, Nevada.

Resort Airlines, Inc., Pinehurst, N. C.
June 19 (letter of notification) 13,547 shares of common capital stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For working capital.

Richland Oil Development Co., Chicago, Ill.
May 19 (letter of notification) 300,000 shares of common stock (par 50 cents) to be sold at $1 per share. No underwriter. Proceeds for drilling activities and payment of rentals and obligations. **Office**—1609 Roanoke Bldg., 11 So. La Salle St., Chicago, Ill.

Rochester (N. Y.) Telephone Corp. (7/18)
June 29 filed 125,000 shares of common stock (par $10) to be offered to present stockholders at rate of one new share for each four held July 18, with rights to expire Aug. 3. **Price**—To be filed by amendment. **Underwriter**—The First Boston Corp., New York. **Proceeds**—For general corporate purposes, including construction and repayment of a loan.

Ronson Art Metal Works, Inc., Newark, N. J.
May 29 (letter of notification) 1,300 shares of common stock (par $1) to be sold for the benefit of the estate of Louis V. Aronson at the going price on the New York Stock Exchange, which was $18.25 per share on May 25. **Underwriter**—Ross Blanchard & Co., New York City.

Royal Television & Electronics, Inc., Washington, D. C.
June 22 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Underwriter**—None. **Proceeds**—To buy television set components. **Office**—714 Fifth St., N. W., Washington, D. C.

Safeway Stores, Inc.
June 8 filed 321,000 shares of cumulative preferred stock (par $100) and 257,064 shares of common stock (par $5). The common will be offered to common stockholders of record July 18 at the rate of one new share for each 10 held. Of the preferred, 205,661 shares will be offered in exchange for 186,965 shares of outstanding 5% preferred stock, along with an unspecified cash payment. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane will offer the unsubscribed common shares as well as 85,114 shares of preferred not needed for the exchange and 30,225 shares which will be created by converting that many of the old 5% shares brought in under the exchange into new preferred stock. Any old preferred not exchanged will be redeemed on Oct. 1. **Price**—To be filed by amendment, along with the dividend rate on the new preferred. **Proceeds**—To redeem the unexchanged 5% stock, make cash payments on exchange, and toward the prepayment of $20,000,000 in bank loans. **Offering**—Temporarily postponed.

Seneca Oil Co., Oklahoma City, Okla.
April 27 (letter of notification) 225,782 shares of class A stock (par 50¢). **Price**—$1.25 per share. **Underwriter**—Genesee Valley Securities Co., Rochester, N. Y. **Proceeds**—To acquire properties and for working capital.

Sightmaster Corp., New Rochelle, N. Y.
June 20 (letter of notification) 18,500 shares of common stock (par 5 cents). **Price**—20 cents per share. **Underwriter**—Butler, Moser & Co., 44 Wall Street, New York, N. Y. **Proceeds**—To selling stockholder. **Office**—111 Cedar Street, New Rochelle, N. Y.

Sightmirror Television Corp. (7/17-21)
June 21 (letter of notification) 749,000 shares of common stock (par 1 cent). **Price**—40 cents per share. **Underwriter**—Tellier & Co., New York. **Proceeds**—For payment of patents, etc., and for working capital. **Office**—111 Cedar Street, New Rochelle, N. Y. Expected week of July 17.

● **Simmel-Meservey Television Productions, Inc.**
June 29 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Underwriter**—Koellmer & Gunther, Newark, N. J. **Proceeds**—To complete films in progress and for general corporate purposes. **Office**—321 So. Beverly Drive, Beverly Hills, Calif.

Skiatron Corp., New York City
June 27 (letter of notification) 500 shares of common stock. **Price**—At approximate market ($1.50 per share). **Underwriter**—Hirsch & Co., New York City. **Proceeds**—To selling stockholder.

Skiatron Corp., New York City
June 22 (letter of notification) 2,500 shares of capital stock (par 10 cents) of which there will be presently sold 1,500 shares at $1 per share, the remaining 1,000 shares, to be offered later at $1.50 per share. **Underwriter**—d'Avigdor & Co., 63 Wall Street, New York City. **Proceeds**—To selling stockholder. **Office**—381 Fourth Avenue, New York City.

South Shore Oil & Development Co.
June 26 (letter of notification) 50,000 shares of common stock (par 10 cents). **Price**—At the market (approximately $4.87½ to $5.12½ per share). **Underwriter**—None. **Proceeds**—For working capital and general corporate purposes. **Office**—401 Carondelet Building, New Orleans, La.

Southern Co., Atlanta, Ga.
June 23 filed 1,000,000 shares of common stock (par $5). **Underwriters**—To be determined by competitive bidding. Probable bidders are: Morgan Stanley & Co., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc. and Bear, Stearns & Co. (jointly); Lehman Brothers; Union Securities Corp. and Equitable Securities Corp. (jointly); Harriman Ripley & Co., Inc. **Proceeds**—To purchase shares of subsidiaries in order to assist them in financing new construction. **Bids**—Had been scheduled to be received at office of the company, 20 Pine Street, New York, N. Y., up to 11:30 a.m. (EDT) on July 25, but offering has been deferred until market conditions improve.

Southern Electrical Corp., Inc. (7/17-18)
June 21 filed 16,000 shares of 6% cumulative preferred stock (par $50) with 64,000 stock purchase warrants to buy 64,000 shares of common stock (par $3), and 15,000 shares of common stock with 15,000 warrants to purchase an additional 15,000 shares of common. The preferred stock is offered by the company with four stock purchase warrants offered wtih each preferred share. The common stock is offered by three stockholders, with an option warrant accompanying each share. **Underwriters**—Courts & Co.; The Robinson-Humphrey Co. and Clement A. Evans & Co., Inc., Atlanta, Ga. **Price**—$50 per share, plus accrued dividend from July 1 for the preferred with purchase warrants at 5 cents each; $8.25 per share for the common, plus 5 cents for each warrant. **Proceeds**—From the sale of the preferred, together with a $750,000 loan ,will be used to expand the company's operations. **Business** — Drawing aluminum and copper wire from rods and stranding aluminum, copper and steel wire into cable.

Southwest Natural Gas Co., Shreveport, La.
June 26 (letter of notification) 13,500 shares of common stock to be sold by Ronald M. Craigmyle, at market (about $7.37½ per share) through Craigmyle, Pinney & Co., New York City.

Standard Television Film Co., Mesa, Ariz.
June 12 (letter of notification) 300,000 shares of common stock at par ($1 per share). No underwriter. Proceeds for capital to begin producing television and motion picture films. **Address**—P. O. Box 915, Mesa, Ariz.

Suburban Propane Gas Corp.
June 9 (letter of notification) a sufficient number of common shares (par $1), so that aggregate offering price of shares offered shall not exceed $100,000. **Price**—At close of June 5, $15 per share. **Underwriters**—Anticipated that Eastman, Dillon & Co., New York, will sell shares in over-the-counter market. **Proceeds**—To SBN Gas Co., West Orange, N. J. Placed privately.

Sudore Gold Mines Ltd., Toronto, Canada
June 6, 1949, filed 375,000 shares of common stock. **Price**—$1 per share (U. S. funds). **Underwriter**—None. **Proceeds**—Funds will be applied to the purchase of equipment, road construction, exploration and development.

Tele-Tone Radio Corp., N. Y. City (7/15)
June 22 filed 135,000 shares of common stock (par $1). **Price**—$6 per share. **Underwriters** — Sills, Fairman & Harris; Straus & Blosser. **Proceeds**—To 15 selling stockholders.

Tele-Tone Radio Corp., N. Y. City (7/15)
June 22 filed 100,000 shares of cumulative convertible class A stock. **Price**—At par ($10 per share). **Underwriters**—Sills, Fairman & Harris; Straus & Blosser. **Proceeds** — For additional plant facilities and for working capital.

Television Associates, Inc., Michigan City, Ind.
June 26 (letter of notification) 15,623 shares of common stock. **Price**—At par ($5 per share). **Underwriter**—

None. **Proceeds**—To cancel existing indebtedness and for working funds. **Office**—East Michigan Street, Michigan City, Ind.

Texas Illinois Natural Gas Pipeline Co. (7/18)
June 26 filed $12,000,000 of interim notes, due Jan. 1, 1952, payable upon maturity by delivery of cumulative preferred stock at the rate of one share for each $100 principal amount; 120,000 shares of cumulative preferred stock ($100 par) to be used in paying off the notes, and 1,750,000 shares of common stock (par $1). The common stock will be offered to holders of outstanding common at the rate of one new share for each 3½ shares held and will be sold 50% to Peoples Gas Light & Coke Co. and remainder to other stockholders, with Peoples taking up all shares not subscribed for. **Underwriters**—White, Weld & Co. nad Glore, Forgan & Co., will underwrite the notes. **Price**—Of common stock, $10 per share; of notes, to be filed by amendment along with interest rate. **Proceeds**—For construction of pipeline facilities. **Business**—Natural Gas pipeline transmission.

Transvision, Inc.
June 13 filed 300,000 shares of common stock (par $1). **Price**—2.75 per share. **Underwriter**—Blair F. Claybaugh & Co., New York. **Proceeds**—To increase working capital and repay loans from RFC and Croydon Syndicate, Inc.

Triplex Corp. of America, Pueblo, Colo.
May 18 (letter of notification) 28,571 common shares to be sold at $7 per share. T. E. Nelson, Assistant Secretary of the company, will handle the sales on a commission basis. Proceeds for working capital and payment of obligations. **Offices**—Pueblo, Colo., or 1415 Joseph Vance Bldg., Seattle, Wash.

United Profit-Sharing Corp.
June 28 (letter of notification) 1,400 shares of common stock (par 25 cents). **Price**—At market (about 75 cents per share). **Underwriter**—Tucker, Anthony & Co. will handle sale on the New York Curb Exchange. **Proceeds**—To selling stockholder.

United States Plywood Corp. (7/20)
June 19 filed 60,000 shares of series B cumulative convertible preferred stock (par $100). **Underwriter**—Eastman, Dillon & Co., New York. **Price**—To be filed by amendment along with dividend rate. **Proceeds**—To increase working capital and for other corporate purposes, including the erection of a new plant at Anderson, Calif.

Univis Lens Co., Dayton, Ohio
Jun 26 (letter of notification) 19,750 shares of common stock (par 50 cents), to be sold to 33 employees. **Price**—$7.75 per share. **Underwriter**—None. **Proceeds**—For general funds. **Office**—401 Leo Street, Dayton, Ohio.

Vieh Co., Columbus, Ohio
May 8 (letter of notification) 19,500 shares of common stock at $10 per share. **Underwriter**—The Ohio Co. **Proceeds**—To buy the assets of Brodhead-Garrett Co. and for working capital.

Western Carolina Telephone Co., Franklin, N. C.
June 22 (letter of notification) 1,406 shares of capital stock to be offered to stockholders at rate of one share for each two shares held. **Price**—At par ($50 per share). **Underwriter**—None. **Proceeds**—To pay bank loans.

● **Western Copper Co., Inc., Phoenix, Ariz.**
June 29 (letter of notification) 100,000 shares of common stock. **Price**—50 cents per share. **Underwriter**—None. **Proceeds**—To develop mine. **Office**—15 So. First Ave., Phoenix, Ariz.

Western Gypsum Corp., Carson City, Nev.
May 29 (letter of notification) 300,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—Phil Morse, Trustee, P. O. Box 1283, Kingman, Ariz. **Proceeds**—For equipment, real estate, working capital and general corporate purposes. **Office**—Virginia and Truckee Building, Carson City, Nev.

Western Oil Fields, Inc., Denver, Colo.
May 5 (letter of notification) 600,000 shares of common stock and a $50,000 note carrying interest at 4% payable from percentage of oil sold. This note will carry with it as a bonus 500,000 shares of stock. **Price**—Of stock, 25¢ per share. **Underwriter**—John G. Perry & Co., Denver. **Proceeds**—To drill for oil in Wyoming and for working capital.

Western Uranium Cobalt Mines, Ltd., Vancouver, B. C., Canada
Feb. 28 filed 800,000 shares of common capital stock (par $1). **Price**—35 cents per share. **Underwriter**—None **Proceeds**—Exploration and development work. Statement effective May 23.

Wood River Concentrating Co.
June 26 (letter of notification) 1,000,000 shares of common stock to be sold at 10 cents per share and 125,000 shares to be issued to directors of the company for their services. **Underwriter**—Lackman & Co., Hailey, Idaho. **Proceeds**—To build a mill for small mine operators. **Address**—Box 455, Hailey, Idaho.

● **Workers Finance Co., Maplewood, N. J.**
July 11 (letter of notification) $225,000 of 6% cumulative deferred debentures due in 20 years. **Price**—In units of $100 each. **Underwriter**—None. **Proceeds**—To make loans and for working capital. **Office**—76 Tuscan Road, Maplewood, N. J.

● **Workers Finance Co. of No. Bergen, N. J.**
July 11 (letter of notification) $150,000 of 6% cumulative deferred debentures due in 20 years. **Price**—In units of $100 each. **Underwriter**—None. **Proceeds**—To make loans, and for working capital. **Office**—7700 Bergenline Avenue, No. Bergen, N. J.

Prospective Offerings

Aetna Finance Co.
June 3 it was reported company may do some financing later this year. Traditional underwriter: Goldman, Sachs & Co.

Alabama Power Co.
May 12 company reported to be considering issue in late summer of about $10,000,000 preferred stock. Probable bidders: Morgan Stanley & Co.; Blyth & Co., Inc.; Union Securities Corp. and Equitable Securities Corp. (jointly); First Boston Corp.; Drexel & Co. Proceeds will be used for construction expenditures.

American Investment Co. of Illinois
May 24 announced company is planning to file shortly a registration statement covering 160,000 shares of prior preferred stock (par $50). **Price**—To be filed by amendment. **Underwriters**—Glore, Forgan & Co.; Kidder, Peabody & Co., and Alex. Brown & Sons, and others. **Proceeds**—For additional working capital.

American Natural Gas Co.
May 18 it was announced company plans issuance of 380,607 shares of common stock (no par) to common stockholders at rate of one share for each eight shares held. **Price**—To be filed by amendment. **Underwriters**—To be determined by competitive bidding. Probable bidders: Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Blyth & Co., Inc.; Lehman Brothers; The First Boston Corp. **Proceeds**—To increase investments in stock of Michigan Consolidated Gas Co. and Milwaukee Gas Light Co.

Associated Natural Gas Co.
June 14 it was announced company plans issuance of $234,000 common stock and $450,000 of 18-year 4½% first mortgage bonds, plus a 5-year bank loan of $250,000, to finance construction of a new pipe line project in southeastern Missouri, authorized by FPC, to cost $934,000.

Associated Telephone Co., Ltd.
June 15 it was announced that the company's present intention is to raise approximately $10,000,000 of additional funds by selling, in the fall of the current year, 50,000 additional shares of cumulative preferred stock (par $20), a like amount of common stock (par $20) and $8,000,000 of first mortgage bonds, series G. **Underwriters**—For preferred stock, probably Paine, Webber, Jackson & Curtis, Stone & Webster Securities Corp. and Mitchum, Tully & Co. For the bonds, to be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. (jointly); White, Weld & Co. and Kidder, Peabody & Co. (jointly); Equitable Securities Corp. and Harris, Hall & Co. (Inc.) (jointly). **Proceeds**—For construction program.

Big Bear Markets of Michigan, Inc.
June 9 it was announced company plans early registration of additional capital stock, with offering toward the end of this month. **Underwriter**—J. G. White & Co., New York.

Canada (Dominion of)
June 27 it was reported the Canadian Government is making preparations for an extensive refinancing operation. It is understood to plan refunding of a $100,000,000 loan payable in U. S. dollars. Issued in 1930 with a 4% coupon, these bonds are due Oct. 1, 1960 and subject to call Oct. 1, next, on 60 days' notice. The latter privilege is expected to be exercised some time this month. Probable underwriter: Morgan Stanley & Co.

Celanese Corp. of America
April 12 the stockholders voted to authorize the creation of 1,000,000 shares of a new preferred stock (par $100), 505,000 shares of which can be issued at any time. Plans are being formulated for the issuance this year, if market conditions are considered satisfactory, of an initial series of this new preferred stock which may be convertible into common stock. Net proceeds would be used in part for expansion of the business, including additional production facilities. Probable underwriters: Dillon, Read & Co. Inc.; Morgan Stanley & Co.

Central States Electric Corp.
March 1 it was announced that under an amended plan of reorganization it is proposed to issue to holders of all classes of 6% preferred stock for each old share the right to buy a unit consisting of eight shares of new common stock and $14 principal amount of new 4½% income debentures for a package price of $18. The common stock, except for approximately 4,600,000 shares held by Harrison Williams and associates, would be offered the right to buy a unit of one new common share and $1.75 of new income debentures for a package price of $2.25 for each five common shares held. The issue of new stock and debentures would be underwritten by Darien Corp. and a banking group headed by Hemphill Noyes, Graham, Parsons & Co., Shields & Co., Blair, Rollins & Co., Drexel & Co. and Sterling Grace Co.

Central Telephone Co.
June 22 company announced it plans to file a registration statement late in July covering 90,000 shares of common stock (par $10), which are to be issued to common stockholders of Central Electric & Gas Co. on a 1-for-13 basis. **Dealer Managers**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. **Proceeds**—Mainly to retire $850,000 short-term loans.

Central Vermont Public Service Corp.
May 4, it was announced that if offer to acquire Green Mountain Power Corp. becomes effective, it plans to refund outstanding $7,715,000 first and refunding 3¾% bonds due 1963 of Green Mountain by the issue and sale for cash of first mortgage bonds of a new series and of a new series of preferred stock, $100 par value. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; probable bidders for preferred: W. C. Langley & Co. and Hemphill, Noyes, Graham, Parsons & Co. (jointly).

Chicago, Rock Island & Pacific RR. (7/18)
Bids will be received by the company, at Room 1136, La Salle Street Station, Chicago 5, Ill., at or before noon (CDT) on July 18 for the purchase from it of $2,352,000 equipment trust certificates, series H, dated Aug. 1, 1950, to mature in 24 equal semi-annual instalments from Feb. 1, 1951 to Aug. 1, 1962, inclusive. Probable bidders; Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly); Harris, Hall & Co. (Inc.).

Chicago & Western Indiana RR.
Jan. 31 reported company will probably issue in the near future some bonds to refund the 4% non-callable consolidated first mortgage bonds due July 1, 1952. Refunding of the first and refunding mortgage 4¼% bonds, series A, due Sept. 1, 1962, is also said to be a possibility. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lee Higginson Corp.; Harris, Hall & Co. (Inc.); Drexel & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Harriman, Ripley & Co., Inc.; First Boston Corp.; Lehman Brothers; Paine, Webber, Jackson & Curtis; Kidder, Peabody & Co.

Commercial Credit Co.
March 30 stockholders approved creation of 500,000 shares of cumulative preferred stock (par $100) of which company plans to sell 250,000 shares. A group of underwriters, headed by Kidder, Peabody & Co. and The First Boston Corp., are expected to offer the stock.

Consolidated Edison Co. of New York, Inc.
May 15, Ralph H. Tapscott, Chairman, said the company will require approximately $90,000,000 of "new money" through the sale of securities. No permanent financing is contemplated before this fall, however, and current expenditures are being financed by short-term loans, of which $16,000,000 are now outstanding. It is anticipated that $257,000,000 will be needed for the construction program over the next four years. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; First Boston Corp.

Duquesne Light Co.
June 22 it was reported that company may issue about 100,000 shares of preferred stock. Probable bidders: Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); First Boston Corp.; Lehman Brothers; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Glore, Forgan & Co. Proceeds are to repay bank loans and for construction program. Expected in the fall.

Eastern Utilities Associates
May 23 it was announced that under a plan filed with the SEC a new company will be formed to acquire the assets of Eastern, and of the Brockton Edison Co., Fall River Electric Light Co. and Montaup Electric Co. and will issue and sell $22,000,000 of first mortgage and collateral trust bonds and $8,500,000 of preferred stock.

Elliott Co.
May 26 it was reported that between 47,000 and 48,000 shares of this company's common stock may be offered some time in the near futuer through F. Eberstadt & Co.

Emerson Radio & Phonograph Corp.
May 29, Benjamin Abrams, President, announced that company may use unissued 1,240,390 shares of capital stock (par $5) to acquire additional plant facilities if needed. Traditional underwriter: F. Eberstadt & Co.

Florida Power & Light Co.
June 9 stockholders approved creation of 50,000 shares of $4.50 cumulative preferred stock (par $100). These shares are soon expected to be offered to finance part of construction program which is expected to require approximately $25,000,000 new capital through 1952.

● **Granite City Steel Co.**
July 11, company announced stockholders will vote Aug. 17 on increasing authorized common stock from 400,000 shares to 1,000,000 shares, and directors approved tentative plans for a proposed offering to stockholders of rights to subscribe to additional common stock. The proceeds will be used to reimburse company for capital expenditures already made and to provide funds for further capital expenditures contemplated. A registration statement is expected to be filed with the SEC at an appropriate time.

Holeproof Hosiery Co.
June 22 it was announced that registration statement is expected to be filed shortly covering not less than 25% and not exceeding 33⅓% of the stock held by principal stockholders following proposed 7½-for-1 stock split up. **Underwriter**—A. G. Becker & Co. Inc.

Houston Lighting & Power Co.
April 14, S. R. Bertron, President, estimated construction expenditures for 1950 between $19,000,000 and $20,000,000. This estimate may be raised to accommodate increased power demands on the system. If this is the case, more financing will be necessary, he added. This may be done through additional common or preferred stock financing.

● **Indiana Gas & Water Co.**
July 5 it was reported that the company may issue $9,500,000 of refunding mortgage bonds. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Harriman Ripley & Co., Inc. and Blyth & Co., Inc. (jointly); Kidder, Peabody & Co. Expected in August.

Iowa Southern Utilities Co.
April 26 company said to plan sale of first mortgage bonds to finance part of its $3,200,000 construction pro-

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gram for 1950. Probable underwriter: The First Boston Corp.

Kaye-Halbert Corp., Culver City, Calif.
June 8, Harry Kaye, President, announced that "it is possible from time to time that additional financing might be undertaken to facilitate the further growth and development of the business." Office—3555 Hayden Ave., Culver City, Calif.

La Crosse Telephone Co.
June 6, company announced that it has advised the Wisconsin P. S. Commission that it expects to sell $1,000,000 of long-term bonds and not less than $600,000 additional common stock. Proceeds will be used to repay $1,300,000 bank loans, due in September, 1951, and the remaining $300,000 will go to Central Telephone Co., parent, to repay temporary advances for construction. Probable underwriter: Paine, Webber Jackson & Curtis.

Long Island Lighting Co.
May 18 it was reported company's construction program in 1950 will cost $20,000,000 which is currently being financed by up to $12,000,000 bank loans pending permanent financing which may be done following effectiveness of consolidation plan. Probable bidders for any new securities include Smith, Barney & Co.

Lorillard (P.) Co.
April 4, Herbert A. Kent, President, said: "It may be necessary to do some financing" before Aug. 1, 1951 to redeem $6,195,450 of 5% bonds due on that date and for additional working capital to meet expanded sales volume. He added that company plans to pay off its bank loans in full by July, 1950. These loans now amount to $12,000,000. Traditional underwriters: Lehman Bros. and Smith, Barney & Co.

Macy (R. H.) & Co.
May 8 it was reported that company is considering issuance of $10,000,000 of new securities, either debentures or preferred stock. Traditional underwriters — Lehman Brothers; Goldman, Sachs & Co.

Market Basket, Los Angeles, Calif.
May 25 company announced it plans sale of 4,452 shares of authorized but unissued preferred stock, series C, (par $15) and an additional 30,000 shares of preferred stock, (par $15) to be authorized. Further details not available.

Michigan Bumper Corp., Grand Rapids, Mich.
July 5 it was announced stockholders will vote July 20 on increasing authorized common stock (par $1) from 250,000 shares to 500,000 shares, with holders of present outstanding stock to have no preemptive rights.

● **Michigan Consolidated Gas Co.**
June 29 FPC granted temporary authorization for the construction of additional facilities costing $15,346,500. Probable bidders for new debt financing: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Lehman Brothers (jointly); Smith, Barney & Co. Expected later this year.

● **Michigan-Wisconsin Pipe Line Co.**
June 29 FPC granted temporary authorization for the construction of additional facilities costing an estimated $22,732,200. Bonds or debentures may be issued later this year. Previous debt financing placed privately.

Milwaukee Gas Light Co.
June 21 it was announced that the company's permanent financing program, expected to be consummated prior to October, 1950, will involve refinancing of $13,334,000 of first mortgage 4½% bonds due 1967, $2,000,000 of 7% preferred stock and bank loans (about $8,500,000) through the issuance of new senior securities and common stock (American Natural Gas Co. now owns 97.7% of presently outstanding common stock). Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co., and Lehman Brothers (jointly); Kidder, Peabody & Co.; Harriman Ripley & Co.; Smith, Barney & Co., Kuhn, Loeb & Co. and Blyth & Co., Inc. (jointly).

Mountain Fuel Supply Co. of Utah
June 6 company announced plans to create a new firm to take over its exploration and development of natural gas and oil operations. It will be financed, in part, through public sale by the new unit of 1,000,000 shares of capital stock (par $8). Financing plan submitted by First Boston Corp. Expected this Fall.

Mountain States Power Co.
May 17 the stockholders voted to increase the authorized preferred stock (par $50) from 75,000 to 150,000 shares. There are presently outstanding 72,993 shares. Probable underwriter: Merrill Lynch, Pierce, Fenner & Beane.

New England Power Co.
April 24 it was estimated that about $37,000,000 new financing will be required to pay construction costs estimated at $40,000,000 for 1950 to 1952. Present plans are to issue in late summer or early fall $10,000,000 bonds and 50,000 shares of preferred stock. Probable bidders: (1) For bonds—Halsey, Stuart & Co., Inc.; (2) for bonds and preferred: Harriman Ripley & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; (3) for preferred:—W. C. Langley & Co.

New England Public Service Co.
April 7 SEC authorized company to file an application to sell 200,000 shares of Public Service Co. of New Hampshire common stock or a sufficient number of shares of Central Maine Power Co. common stock (about 225,000 shares) to raise approximately the same amount of money. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; First Boston Corp.; Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly). The proceeds will be used to pay bank loans.

New York, New Haven & Hartford RR.
Bids will be received up to noon (EDT) on July 11 for the purchase from the company of $3,000,000 eqquipment trust certificates to be dated Aug. 1, 1950, and to mature in 15 equal annual instalments of $200,000 each. Underwriters—Salomon Bros. & Hutzler and associates at competitive sale on July 11 bid 99.4633 for the certificates naming a 2½% coupon, while Halsey, Stuart & Co. Inc. bid 98.3389 with a 2⅜% coupon. Award of the issue was expected today. It is understood that there will be no public offering.

New York State Electric & Gas Corp.
May 24 it was reported company expects to sell $14,000,000 of bonds and $6,000,000 of new preferred stock in June, 1951, with an additional $10,000,000 of new securities to be sold in 1952, the proceeds to be used to pay, in part, cost of new construction estimated to total $55,800,000 in the next three years. Probable bidders for bonds and preferred: Blyth & Co., Inc., and Smith, Barney & Co. (jointly); First Boston Corp. and Glore, Forgan & Co. (jointly); Harriman Ripley & Co. Inc Probable bidders for bonds only: Halsey, Stuart & Co Inc.

Niagara Mohawk Power Corp.
Jan. 19 announced that construction program will necessitate in 1950 not more than $25,000,000 of additional debt or equity financing, including short-term bank loans Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Kuhn, Loeb & Co.

● **Pacific Northwest Pipeline Corp.**
June 30 company sought FPC authority to build a 2,175 mile pipeline system—from southern Texas to Washington—at a cost of $174,186,602. Negotiations for major financing requirements are now in process of being completed.

Pacific Power & Light Co.
April 13, Paul McKee, President, disclosed that a group of 16 purchasers who acquired company's 500,000 shares of common stock from American Power & Light Co. on Feb. 6, last, have informed him of their intention to make a public distribution of these shares at earliest practical date, which may be shortly after Aug. 6. A. C. Allyn & Co., Inc. and Bear, Stearns & Co. headed this group. The 500,000 shares of common stock are being split-up on a 3½-for-1 basis, all or part of which will be publicly offered. Company also expects to raise $3,000,000 in new money later this year and a similar amount in 1951.

Philadelphia Electric Co.
May 5 it was said that there will be additional financing later this year, with probably some common stock to be underwritten by Drexel & Co. Bond financing would be competitive, and preferred stock would be either negotiated or competitive.

● **Plantation Pipe Line Co.**
July 6, it was reported that this company, an affiliate of Standard Oil Co. (New Jersey), is contemplating financing of about $50,000,000, probably privately. If publicly offered underwriter may be Morgan Stanley & Co. Proceeds to be used to build new pipe line, with construction to begin early next year and completion scheduled for early 1952.

Public Service Electric & Gas Co.
April 17 stockholders approved the issuance of $90,000,000 new bonds for the purpose of refunding $50,000,000 3⅛% bonds due 1965; $10,000,000 3¼% bonds due 1968; $15,000,000 3% bonds due 1970 and $15,000,000 bonds due 1972. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Lehman Brothers (jointly); First Boston Corp.

Reynolds Metals Co.
June 7 company announced stockholders will vote Aug. 9 on increasing authorized common stock from 1,500,000 shares to 2,500,000 shares. The increase is being sought to make additional shares available for any future need. Probable underwriter: Reynolds & Co.

● **San Diego Gas & Electric Co.**
July 3 it was reported that company may issue late in September or early October between $8,000,000 and $10,000,000 of bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co. and Shields & Co. (jointly); First Boston Corp.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers and Bear, Stearns & Co. (jointly); Salomon Bros. & Hutzler.

Schering Corp.
May 4, it was announced that the company's entire common stock issue (440,000 shares) was expected to be registered with the SEC in the near future and offered for sale to the highest bidder by the Office of Alien Property. Probable bidders: A. G. Becker & Co. (Inc.), Union Securities Corp. and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; F. Eberstadt & Co.; Allen & Co.; new company to be formed by United States & International Securities Corp.; Dillon, Read & Co.; F. S. Moseley & Co.; Riter & Co.

Seaboard Finance Co.
June 3 it was reported that company in August is expected to register with the SEC additional shares of its stock. May be offered through dealer-manager group probably headed by First Boston Corp.

Sierra Pacific Power Co.
June 2 company announced it plans to finance and permanently refund $2,200,000 of bank loans by the sale of debentures and common stock prior to Oct. 31, 1950. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.

South Carolina Electric & Gas Co.
May 11 it was announced company plans to spend in the next four years $34,000,000, of which $11,600,000 will be spent in 1950. It is estimated that $6,000,000 of new money will be required in this year, to be raised by the sale of $3,000,000 of bonds and 60,000 shares of preferred stock (par $50). Probable bidders include Lehman Brothers.

South Jersey Gas Co.
June 15 United Corp. proposed, under its amended plan filed with SEC, to sell its holdings of 154,231.8 shares of South Jersey Gas Co. common stock as to which an exemption from competitive bidding is requested.

Southern California Edison Co.
March 3 it was reported that company expects to issue this summer $55,000,000 of bonds. Probable bidders: The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly); Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Shields & Co. Proceeds would be used to refund $30,000,000 3¼% bonds and for construction costs.

Southern Natural Gas Co.
June 21 SEC approved temporary bank borrowings of up to $20,000,000 to mature July 1, 1951, the proceeds to be used for construction program, estimated at $32,520,000 for 1950-1951. Permanent financing is expected to involve the issuance and sale of at least $10,000,000 of first mortgage bonds, with respect to which a declaration is expected to be filed prior to Nov. 1, 1950, to be followed by additional financing early in 1951, involving the sale of at least $5,000,000 additional common stock which will be offered to stockholders under preemptive rights. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co. and Kidder, Peabody & Co. (jointly); First Boston Corp.

Southern Utah Power Co.
June 8 SEC authorized trustee of Washington Gas & Electric Co. to undertake negotiations with "all interested parties" for the sale of its common stock interest (62,910 shares) in Southern Utah Power Co. for not less than a $550,000 base price, plus adjustments.

Tampa Electric Co.
April 25 it was announced company plans to raise $4,700,000 in new money through sale of additional securities, the proceeds to finance in part 1950 construction expenditures.

Tennessee Gas Transmission Co.
Jan. 25 Gardiner Symonds, President, announced that "some bonds will be sold late this summer at competitive bidding, but the amount has not yet been decided." Banking circles speculated that a $40,000,000 bond sale would be forthcoming. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. (jointly). The proceeds would be used in part to pay for construction.

Tide Water Power Co.
May 4 stockholders have approved an increase in the authorized common stock to 1,000,000 shares from 500,000 shares. It was understood that 125,000 shares may be sold. Traditional underwriters: Union Securities Corp.; W. C. Langley & Co.

Utah Natural Gas Co.
June 5 it was announced company plans to build a 325-mile 22-inch pipe line in Utah to cost approximately $25,000,000. Hearings will be held before the Utah P. S. Commission in August or September, after a study of the project.

Valley Gas Pipe Line Co., Inc., Houston, Tex.
June 27 company sought FPC authorization to construct a $144,500,000 pipeline project to carry natural gas from the Gulf Coast and off-shore fields in Louisiana and Texas to markets in Indiana, Ohio and Michigan. Company is now in process of completing negotiations for its major financing requirements.

Virginia Electric & Power Co.
June 20 it was announced company expects to offer through competitive bidding not exceeding $20,000,000 of first and refunding mortgage bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Kuhn, Loeb & Co.; White, Weld & Co.; Stone & Webster Securities Corp.; Salomon Bros. & Hutzler. Proceeds will be used to finance construction program. Expected this Fall.

Warner (William R.) & Co., Inc.
June 12 Elmer H. Bobst, President, announced that corporation proposes recapitalization and change in name to Warner-Hudnut, Inc.; also to file a registration statement with the SEC covering the sale of approximately 325,000 shares of new common stock (par $1) to the public through a nation-wide group of underwriters headed by F. Eberstadt & Co., Inc.

Western Pacific RR. Co.
June 14 it was reported company plans issuance and sale of about $20,000,000 bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

Worcester County Electric Co.
April 25 company reported planning issuance of $10,000,000 first mortgage bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc.; Lehman Brothers: Kidder, Peabody & Co.; First Boston Corp.; Merrill, Lynch, Pierce, Fenner & Beane.

Continued from page 4

The New York Stock Exchange—Its Economic and Social Functions

point of the contrast is, of course, to give you an indication of the room that there is for an enlarged public stake in the ownership, which is provided by stocks of American industry. The problem is one of reaching that field. Too many individuals, I am sorry to have to say, are unfamiliar with the attractions and features of securities; they are often too unfamiliar with what risks are involved in the ownership of any form of property. Speaking generally, they are, in many instances, supicious of stocks.

The Exchange is endeavoring to fill that gap of economic illiteracy. Our Public Relations program is aimed in that direction, as is our advertising. We seek to convey to those, who will allow us that opportunity, factual information pertaining to the purpose of the Exchange in our system of enterprise as well as the rewards and risks that accompany informed ownership of securities of long established companies, companies that are, in effect, the backbone of the American economic system.

The Exchange is also engaged in doing what it can constructively to encourage an improved Federal tax structure. We have presented to the Congress exhaustive studies on the effects of double taxation of dividends. Corporation profits, as you are aware, are taxed first at the corporate rate, and then again when the profits, in the form of dividends are received by the stockholder, who must include his dividend receipts in his income tax returns.

You are familiar, I know, with the confiscatory characteristics of the capital gains tax. The United States is the only capitalistic country that taxes capital gains. A gradual elimination of our capital gains tax is essential to the increased flow of venture capital, which, in turn, is essential to expansion of industry and the extension of its capacity to produce and to go forward. A reduction of the rate, and the lowering of the holding period, it is today generally acknowledged, are comparably vital. We have made some progress. The House Ways and Means Committee in its tax bill would reduce the holding period from six to three months. The tax outlook, unfortunately, is complicated at this juncture by the Korean situation and all of its mobilizing implications.

An aspect of the tax bill reported by the House Committee contains, on the other hand, a feature that, particularly among corporations, is undesirable. This is the mandatory withholding by corporations of 10% of the dividends paid to their stockholders. It is held that that is just the reverse of what should be happening. As an offset to the discriminatory characteristics of double taxation of dividends, stockholders should be allowed a tax credit for dividends, rather than to have 10% of their due income from dividends withheld.

Your encouraging attention has caused me to overstay my appearance before you. A minute more of your time to conclude these observations is all I ask. I have tried to explain to you why the Exchange is essential to our system of free-enterprise or capitalism, why we seek to assure the continuance of that system by broadening the base of ownership of American industry. It is our belief that, if more individuals are co-owners of our competitive enterprise, they will be more alert to policies leading to socialism or nationalization of industry, to a restriction of our freedom. That is what it comes down to.

You have seen business nationalized in England, railroads, and communications. Even contemplated was restriction of employment, with individuals prohibited from transferring their interest and work from one industry to another. The recent election, when the Conservatives were practically returned to power, upset those plans.

In our opinion, we think the economy that we have, though it has flaws, has demonstrated the fact that it provides the greatest opportunity and incentive to the individual. The more the American public is educated to the advantages of that system, the more work is going to be done to take care of those flaws. All of us have a job to do in assuring more opportunities for you fellows coming out of college. You will be free to choose where you are going, and you will have an opportunity to build up a competence for yourselves in the future by your own efforts.

If you do not have those opportunities, if the government takes care of everyone, the outlook would not be a happy one.

Public Utility Securities

By OWEN ELY

The Southern Company

Southern Company, the big southern holding company which emerged from the breakup of Commonwealth & Southern was described in this column about a year ago. The Company made an excellent showing in the calendar year 1949, with share earnings of $1.27 a share compared with 91¢ a share on a smaller number of shares in the previous year; net income increased 57% on a gain in revenues of about 8%. This improvement reflected a non-recurring tax saving of about 7¢ a share, and fuel economies of perhaps 15-20¢ a share due to abnormally heavy rainfall and resulting big hydro output, plus other factors.

This year rainfall has been less abundant and in the first five months hydro output was about 600 million KWH under last year. However, the situation has shown improvement in recent weeks. Assuming normal rainfall in the balance of the year it is possible that, after allowance for tax savings, the loss of hydro power might reduce earnings about 7¢ this calendar year, making a total decrease of 14¢.

However, this isn't the whole story. Total sales have been increasing more rapidly than anticipated, and for the five months ended May 31 net income was slightly ahead of last year (although it would have been slightly lower if adjusted for non-recurring taxes). Moreover, the big Yates plant with two units of 100,000 KW each will come into operation this fall, using dump natural gas as fuel. Alabama Power, which mines its own coal, has installed some of the big Joy machines which are reducing mining costs sharply. These factors should help to offset part, at least, of the estimated 14¢ dip in earnings.

Last year about 8% of Southern's revenues were from transit operations, but Georgia Power has been attempting to sell its bus companies, and recently disposed of the Atlanta property, leaving Rome as the only remaining property—which will also be disposed of eventually.

Alabama Power serves the greater part of that state except for an area along the northern boundary which is part of the TVA domain. However, the City of Birmingham has been serviced by Birmingham Electric, which has been buying its entire power requirements (at wholesale) from Alabama Power. The Company has been having difficulties with its transit property and no dividends have been paid since March 31, 1948. Southern Company has recently proposed to acquire the block of Birmingham stock held by Electric Bond & Share on the basis of an exchange of 1½ shares of Southern for 1 share of Birmingham Electric, and this offer will be open to other stockholders. The bus company will be disposed of as soon as possible, perhaps this year. This purchase is not expected to dilute Southern's share earnings.

The Southern Co. system is still in a period of rapid growth. Revenues for the first five months of 1950 were about 7% over last year, but for the month of May the gain exceeded 10%. Recently the weekly system KWH output is said to have been as high as 22% over last year, and the management of Southern Company has been wondering whether it may prove necessary to revise upward the system construction program. Present plans call for the installation of 575,000 KW in 1950-52, bring capacity to 2,289,000. Of this 1952 capacity nearly two-thirds will be steam, and 85% of this steam capacity will be in high-efficiency units installed since 1940. While most of the hydro plants were built before 1940 (at low cost) they are about as efficient as hydro plants constructed today. Due to installing big units, the system cost of building new plants averages only about $110 per KW.

In addition to its own construction program, the management of Southern Company has cooperated with the Federal Government's program for developing river facilities. Georgia Power is either buying or proposes to buy the output from government hydro projects at Buford, Altoona, Clark's Hill and Jim Woodruff Dam—a total of over 500,000 KW. This will help to offset the loss of TVA power.

In order to finance the equity portion of its construction program Southern Company sold 1,500,000 shares of common stock last December, making the common stock equity 30% (or 25% after all intangibles, including plant acquisition adjustments). The Company has recently proposed to sell an additional 1,000,000 shares at competitive bidding on July 25, but because of the recent sharp decline in utility stock prices this been deferred.

Southern Company closed today (July 11) at 10⅞, making the current yield 7.4%. The 1950 high was 13¾.

Our Reporter's Report

Conjecture in investment underwriting circles indicates that the outbreak of hostilities in Korea and involvement of the U. S. in the fighting is tending to put the quietus on new financing plans of corporations.

At least there are indications that several issues which had been expected to reach the marketing stage within the next fortnight will be set back pending more propitious conditions marketwise.

Current uneasiness, however, was not sufficient to deter Panhandle Eastern Pipe Line Co. and sponsoring bankers from going through with the $35,000,000 of new financing for that company yesterday. Pipeline securities, it must be remembered, have struck the fancy of institutional investors for the moment, not alone for the relatively, favorable yields which they afford, but quite as much, it appears, for the opportunity they afford for some measure of diversification.

Panhandle's financing involved $20,000,000 of 25-year term debentures, due 1975, and $15,000,000 of serial debentures, due 1953 to 1962. The term debentures were offered at 99.11 to afford a yield of around 2.80% while the serials were offered at prices to yield from 1.85% for the shortest maturity to 2.65% for the last series.

Dealers reported brisk demand for both offerings and it was indicated that books on these securities would be closed quickly.

Municipals Take Over

With little in the way of new issues likely in the corporate field for the balance of the current month, the bulk of interest will center in the municipal field. And even here the July aggregate may do well to equal June's $214,000,000 figure.

Next week's major corporate prospect takes the form of a large equity operation by the Canadian Superior Oil Corp., Canadian Exploration subsidiary of Superoir Oil Co. of California.

A negotiated undertaking this is designed to embrace public offering of 2,000,000 shares of capital stock of the new company for working capital.

United States Plywood Co. has some new financing slated for around July 20, but it is possible that market conditions between now and that time may influence the final decision here.

Columbia Gas System

With all but a nominal amount of the $110,000,000 total reported taken bankers sponsoring Columbia Gas System's huge debenture offering terminated their agreement and turn that issue loose early this week.

Estimates put at around $5,000,000 or a little more, the amount which remained unplaced. Brought out at 102.448 to yield 2.86% the quote reported in the "free market" was 101⅝ bid-101⅞ asked.

But what made the situation here a bit curious was the fact that "freeing" of the issue did not seem to generate any real buyer interest. Unquestionably the action of the company in filing for $90,000,000 additional debentures for refunding and financing new construction costs tended to dampen investor interest.

Due on Market Today

The only other corporate issue up for sale this week, $3,500,000 of new 30-year first mortgage bonds of Kentucky Utilities Co., was slated to reach public offering today.

Put up for bids on Tuesday the bonds drew a total of three tenders, the best being 100.531 for a 2⅞% coupon. Runners-up bid 100.06999 for the same interest rate while the lowest bid was 101.5049 for a 3% rate.

The issuer withheld award until yesterday thus delaying actual offering for the equivalent time.

Another prospective offering ahead, if the market regains its equilibrium, is just short of 500,000 shares of new common stock for Consumers Power Co.

Bankers will do a "standby" job on this one which will involve offering first to present shareholders in the ratio of one new share for each ten held at a price to be disclosed later.

DIVIDEND NOTICES

UGI

A quarterly dividend of 35c per share on the Capital Stock, par value $13.50 per share, has been declared, payable September 30, 1950, to stockholders of record August 31, 1950.

THE UNITED GAS IMPROVEMENT CO.

JOHNS HOPKINS, Treasurer

June 27, 1950 Philadelphia, Pa.

COLUMBIA PICTURES CORPORATION

COLUMBIA PICTURES

The Board of Directors at a meeting held July 11, 1950, declared a quarterly dividend of $1.06¼ per share on the $4.25 Cumulative Preferred Stock of the company, payable August 15, 1950, to stockholders of record August 1, 1950.

A. SCHNEIDER,
Vice-Pres. and Treas.

IOWA SOUTHERN UTILITIES COMPANY of Delaware

Dividend Notice

The Board of Directors has declared the following dividends:

41¼ cents per share on its 5½% Preferred Stock ($30 par)

30 cents per share on its Common Stock ($15 par)

both dividends payable September 1, 1950, to stockholders of record August 15, 1950.

EDWARD L. SHUTTS,
President.

July 10, 1950.

GOODYEAR

DIVIDEND NOTICE

The Board of Directors has declared today the following dividends:

$1.25 per share for the third quarter of 1950 upon the $5 Preferred Stock, payable September 15, 1950 to stockholders of record at the close of business August 15, 1950.

$1.00 per share upon the Common Stock, payable September 15, 1950 to stockholders of record at the close of business August 15, 1950.

The Goodyear Tire & Rubber Co.

By W. D. Shilts, *Secretary*

Akron, Ohio, July 10, 1950

The Greatest Name in Rubber

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The first big "civilian casualty" of the Korean war is likely to be the tax bill, always barring some sharp change in the military situation.

There will be a tax bill in the Senate, of course, since Senator George, the Chairman of the Finance Committee, promised that he will present a tax bill upon which the Senate can vote. The promise will be kept. The Senate will pass it.

Then, after the bill goes to conference between the House and Senate, it will be tied up for a very, very long time.

This new strategy has been decided upon informally, it is reported, between the Administration and Senate leaders. The idea of not burying the tax bill fits in with the Administration strategy of not leading off with moves to trumpet the change in the economy from a civilian to a wartime basis until the military situation makes it imperative and impresses people generally with the need for controls, rationing, huge war appropriations, and higher taxes.

With an initial call of men to the services, however, it is wondered how leisurely the White House can be.

To kill the tax bill now, however would tend to alert people of the danger of the move toward the war economy. Senators and others who listened to Treasury Secretary Snyder's presentation before the Finance Committee, opening hearings on the House tax bill, are betting that the Administration does not want the tax bill.

This pretty well fits in with the views of the Senate conservatives. They want excise tax cuts but not bad enough to raise corporation income taxes. Everybody will be happy if the Senate casts record votes for some excise tax cuts, even if it has to record votes at the same time for some tax increases. Then the thing will be quietly buried.

Of course if the military situation deteriorates rapidly, the Administration might be forced to ask for a tax increase, although probably not soon. The intention probably will be to avoid this until next year, at least, or until after the election is over.

On the other hand, if the Korean war ends in a relatively quick victory and there are no fresh signs of Russian armed aggression, then there is another situation to appraise.

* * *

In view of the early optimism of the Administration for a quick outcome to the Korean war, military people have to be a little reticent toward explaining the great difficulties, a reticence that will disappear when and if it becomes necessary to alibi a long campaign.

Any military operation of the magnitude of defending even as small a country as Korea against a trained, equipped, and determined enemy, with its own operations long planned, is something which ordinarily takes months of preparation. A quick and successful defense cannot be improvised off the cuff. Troops cannot quickly be assembled, scheduled, and transported, together with the hundreds of thousands of items of equipment. The U. S. scarcely has had a Korean base from which to operate. The necessity of abandoning some of the jet fighters because they were too fast to handle the obsolescent Russian aircraft, is just one of thousands but otherwise unadvertized examples of how the war has had to be improvised in haste.

So the normal expectation should be for bad news for some considerable time, with the U. S. doing very well indeed under such adverse circumstances if it can hold on to any South Korean real estate until such time as it can bring sizable forces to bear.

* * *

Best guess now is that the drive to get Congress away Aug. 1 will fall short of its mark by about 10 days. If Congress does quit before mid-August, there is a chance that two anti-business bills will fail of enactment.

One of them is the Kefauver bill to subject to Federal Trade Commission approval, the purchase by one company of the assets of another, thus bringing the purchase of assets under the same ban as the purchase of stock control of competing companies. Senate Leader Lucas is reported to have passed the word that this bill will have to go over until the next Congress, for lack of time.

The second is the bill to triple damages under the antitrust laws.

And when Congress does adjourn, it is expected to be subject to the call of the Congressional leaders. The President also can legally call the Congress back into session at any time.

* * *

Should Korea go completely into the hands of the Reds, a sizable chunk of the Japanese rice supply will be eliminated, it is noted here. This would mean greater U. S grain shipments to Japan.

* * *

There was no war significance to the purchase just before the end of June by the military of more than $72 million in trucks and jeeps. This was the familiar pattern of the government's buying before the fiscal year-end, so that its unused appropriations will not lapse. Actually the Army was about six months behind schedule in its truck buying. Part of this was occasioned by the fact that Congress did not complete appropriations until after mid-October for the fiscal year 1950.

* * *

Against the day when military needs might bring about the curtailment of automobile production, here is a thumbnail sketch of the situation on car supplies:

Stocks of cars in the hands of dealers are believed to aggregate about 400,000 cars, versus between 500,000 and 600,000 in the hands of dealers at the time of Pearl Harbor. Of the motor vehicles registered, totaling some 43 million, some 62% are pre-War II. Scrapping usually runs 25% of new cars, or if normal on the basis of last year's production at the rate of 1,600,000 machines. However, passenger car scrappings totaled only 1,200,000 in 1949. Trucks, which wore out relatively more during the last war, are believed to be going to the junk heap at a higher ratio to output than cars.

Motor vehicle production today, however, is way above the volume at the time of Pearl Harbor.

* * *

Buried in the high-flown language of the economist, the Food and Agricultural Organization in a recent report indicates what to a layman is the conclusion that without continuing ECA purchases of a large volume of U. S. and perhaps also Canadian wheat and giving it away free, the whole International Wheat Agreement program may break down, even though in the first year of operation it has accounted for only about half world trade in wheat.

So far the U. S has "financed," that is given away, about three-fourths of the wheat that has been exported under the Agreement.

The Agreement provides a two-price system, with for the first year, sales within a maximum of $1.80 per bushel and a minimum of $1.50. It was suggested that unless there are enough U. S. dollars "made available" it is possible that exports of dollar wheat, that is U. S. and Canadian wheat, might not fill quotas even at the minimum or lower price under the Agreement.

In a separate report the U. S. Department of Agriculture showed that for the first year of the Agreement to July 4, exports of U. S. wheat, even though being given away, were short 80,000,000 bushels of the guaranteed imports made by importing countries under the Agreement, while Canadian exports were nearly 26,000,000 bushels shy. With less than three weeks of the first year of the Agreement's operation to go, this strongly indicates that the agreement will fail to achieve the export quotas, even though the U. S. subsidizing them.

Finally, the FAO report said that despite the subsidy, the lower prices on Agreement wheat were not being passed on to consumers.

* * *

Congress is going to make a long pass at rubbing the government's special magic lamp, by which beautiful and wanted things are brought into existence. The old magic lamp is the government guarantee of loans

In the instant case, the House Committee on Agriculture is about to approve a bill to authorize the Secretary of Agriculture to guarantee loans for the construction of wholesale terminal marketing facilities for perishable fruits and vegetables. Just incidentally, retail markets for farmers can also be constructed so long as they are not the principal part of the enterprise.

Loans would run for a maximum period of 40 years and cost only 4% interest. The borrowers must put up 15% of the cost or a minimum of $45,000.

The benefits of this juicy credit subsidy would be denied to any profit-making taxpayers, even though it is their money which is footing the bill. Only co-ops, municipalities, or private groups which agree to take no profits out of the enterprise, would be eligible for loans to construct these markets.

It is doubtful, time being short and the Chairman of the Senate Agriculture Committee, Senator Elmer Thomas (D., Okla.) back in Oklahoma fighting for his political life, that the Senate Committee can get around to considering this bill this year. With adjournment final in 1950, whenever that may be, and no Senate action, the bill would die.

Nevertheless, the House Committee is going ahead, because the best preparation for enactment in subsequent years is to show one House of Congress has approved it before even though it did not become law. The Budget Bureau originally disapproved the bill, but that was presumably because of a fight between the marketing and production factions within the Department of Agriculture bureaucracy.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

World Bank Grants Loan to Turkey

Grants credit of $16,400,000 for port development and grain storage facilities.

The International Bank for Reconstruction and Development has made two loans totaling $16,400,000 to the Government of Turkey for port development and grain storage facilities.

A loan of $12,500,000 for the development of Turkey's major ports is for a term of 25 years and carries an interest rate of 3¼%, plus commission at the rate of 1% which, in accordance with the Bank's Articles of Agreement, is allocated to its special reserve fund. Amortization payments will begin in 1956. A loan of $3,900,000, which will be used to finance the construction of grain storage facilities, carries an interest rate of 2⅞% (plus the 1% commission) and is for a term of 18 years; its amortization will start in 1954.

The total cost of the port development and construction projects is the equivalent of $38,600,000. The Bank's loan of $12,500,000 will cover the foreign exchange cost required for the importation of equipment and materials.

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